UNITED OVERSEAS BANK (MALAYSIA) BHD
Annual Report 2015

Room
Isabelle Soh Min Hui

United Overseas Bank (Malaysia) Bhd (271809K)

Contents

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

Room

by Isabelle Soh Min Hui
Oil and acrylic
76.0 x 102.0 cm

Ms Isabelle Soh Min Hui's *Room* is the design inspiration for the cover of this year's Annual Report. The painting received the Gold Award for the Emerging Artist Category in the 2015 UOB Painting of the Year (Singapore) Competition. It is inspired by Ms Soh's philosophy that "a room is not a room until you make it one".

The artist creates a surreal world that defies the physical confines of a room. It compels the viewer to leave the predictable behind and to push beyond the boundaries of one's imagination. In not allowing the mind to be boxed in, we leave the door open for new possibilities.

The UOB Painting of the Year Competition, now in its 34th year, promotes awareness and appreciation of art, 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 2015

Asiamoney

Cash Management Poll 2015

Malaysia's Best Foreign Cash Management Bank by Asiamoney
- 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-, Medium- and Large-sized Corporates

Timetric

Customer Experience in Financial Services Asia Awards 2015

- Best Customer Experience Business Model, Malaysia

The Edge-Lipper

Malaysia Fund Awards 2015

- Best Fund Over 3 Years and 10 Years, Equity Malaysia Income
  - AMB Ethical Trust Fund (sub-managed by UOBAM Malaysia)

Chairman's Statement

Our performance is guided by our time-tested principles of prudence and enterprise, and we continue to focus on the core fundamentals of banking.

2015 Financial Performance

Against a volatile global economic environment, United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) achieved a good set of results for the financial year 2015. Net profit after tax increased to RM1,066.7 million (2014: RM1,055.1 million).

Total operating income for 2015 grew by 6.0 per cent to RM2,683.4 million (2014: RM2,530.5 million). Net interest income increased by 5.2 per cent to RM1,898.5 million (2014: RM1,804.0 million), contributed by loans. The increase in non-interest income by 8.0 per cent to RM784.8 million (2014: RM726.5 million) was driven by higher fee income, trading and investment income, as well as foreign exchange gains.

Total operating expenses increased by 8.4 per cent to RM1,043.0 million (2014: RM962.3 million) mainly due to higher personnel and establishment-related expenses as we continued to invest in people and information technology infrastructure to support our growing business and to secure future revenue streams. Cost-to-income ratio was 38.9 per cent.

Lower net profit of associates was largely due to an associate's one-off gain on disposal of its subsidiaries in 2014.

Allowance for impairment on loans and advances decreased by 20.2 per cent to RM204.7 million (2014: RM256.4 million) due to lower collective impairment of RM72.4 million. However, this was partly offset by higher individual impairment of RM20.8 million. Higher provision in commitments and contingents was partly offset by non-recurring impairment on available-for-sale securities and impairment on associate.

Gross loans and advances grew by 5.9 per cent to RM72.1 billion (2014: RM68.0 billion) while non-bank deposits increased by 4.1 per cent to RM76.1 billion (2014: RM73.1 billion).

Our asset quality remained strong with a net non-performing loans ratio of 1.4 per cent. Our sound capital position and prudent and disciplined approach were reaffirmed with a AAA rating by the Ratings Agency Malaysia.

2016 Outlook

Prospects for global growth remain tepid for 2016. We expect this period of slower growth to persist in the form of diverging monetary policy, continued currency volatility and concerns over China's outlook.

Malaysia's Gross Domestic Product is projected to grow moderately in 2016 driven by government and private sector investments. Bearish commodity prices and currency volatility will continue to pose challenges to the economy. Over the longer term, Malaysia's economy continues to look promising given its solid fundamentals and ongoing policy reforms to stimulate economic growth by improving labour productivity.

Against this economic backdrop in 2016, we plan to grow our customer base by exploring new business sectors in our Wholesale Banking business and continue to build on our strengths in the Retail Banking business, notably via wealth management. We will also continue to enhance our technology infrastructure across the bank, including our online banking and social platform capabilities to ensure the quality of our customers' experience is consistent across all channels. We plan to implement an enhanced business internet banking platform to meet the evolving demands of our customers' businesses.

Strengthening our risk management and compliance practices will continue to be a priority as we strive to maintain our strong asset quality, particularly in this uncertain environment. Our performance is guided by our time-tested principles of prudence and enterprise, and we continue to focus on the core fundamentals of banking – ensuring balance sheet strength and building capabilities for the future.

Acknowledgement

With the support of an experienced management team and committed colleagues across the bank, we are well positioned to face short-term challenges and to deliver a strong performance as the economy picks up.

I am very grateful to our Chairman Emeritus Dr Wee Cho Yaw for his guidance and leadership, as well as my fellow Board members for their insightful counsel and continued support, especially Datuk Abu Huraira who retired on 3 February 2016 after serving six years on the Board. On behalf of the Board, I thank the CEO and all our people for their efforts throughout the year. Finally, a big thank you to our customers for their continued loyal support of UOB (Malaysia).

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
(Resigned on 31 January 2016)

Datuk Abu Huraira Bin Abu Yazid
Independent non-executive director
(Retired on 3 February 2016)

Dato' Jeffrey Ng Tiong Lip
Independent non-executive director

Fatimah Binti Merican
Independent non-executive director

Robert Kwan Koh Wah
Independent non-executive director
(Appointed on 4 January 2016)

Wong Kim Choong
Non-independent executive director

AUDIT COMMITTEE

Dato' Jeffrey Ng Tiong Lip (Chairman)

Fatimah Binti Merican

Robert Kwan Koh Wah

RISK MANAGEMENT COMMITTEE

Robert Kwan Koh Wah (Chairman)

Dato' Jeffrey Ng Tiong Lip

Fatimah Binti Merican

REMUNERATION COMMITTEE

Fatimah Binti Merican (Chairperson)

Wee Cho Yaw

Wee Ee Cheong

NOMINATING COMMITTEE

Fatimah Binti Merican (Chairperson)

Wee Cho Yaw

Wee Ee Cheong

Dato' Jeffrey Ng Tiong Lip

Robert Kwan Koh Wah

Board of Directors' Profiles

Wee Cho Yaw

Chairman Emeritus and Adviser

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.

A veteran banker with more than 50 years of banking experience, Dr Wee is the former Chairman and Chief Executive Officer of United Overseas Bank and is currently the Chairman Emeritus and Adviser of United Overseas Bank and its subsidiary, Far Eastern Bank. He also chairs United Overseas Bank (Thai) Public Company, and is the President Commissioner of PT Bank UOB Indonesia and Supervisor of United Overseas Bank (China). His other board chairmanships include United Overseas Insurance, Haw Par Corporation, UOL Group, Pan Pacific Hotels Group, United Industrial Corporation, Marina Centre Holdings and Wee Foundation. He is a director of Chung Cheng High School. Previously, he chaired the boards of United International Securities and Singapore Land.

Dr Wee is the Honorary President of the Singapore Chinese Chamber of Commerce & Industry, Singapore Federation of Chinese Clan Associations and Singapore Hokkien Huay Kuan.

Dr Wee received Chinese high school education. He had served on numerous school management committees, and the Councils of the Nanyang University and National University of Singapore. Since 2004, he has been the Pro-Chancellor of the Nanyang Technological University (NTU). He received an Honorary Degree of Doctor of Letters from the National University of Singapore in 2008 and a second Honorary Degree of Doctor of Letters in 2014 from the NTU. Both honorary degrees were conferred in recognition of his long-standing support of education, community welfare and the business community.

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 exceptional achievements in the Singapore business community. The Asian Banker awarded him its Lifetime Achievement Award in 2009. In 2011, he received the Distinguished Service Order, Singapore's highest National Day Award, from the President of Singapore for his outstanding contributions to the economic, education, social and community development fields in Singapore.

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, Singapore Power, Singapore Mediation Centre and Ascendas-Singbridge. Mr Ong is Chairman of the National Heritage Board of Singapore and The Tax Academy 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) degree 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-appointed as Director on 19 December 2015. A non-independent and non-executive director, Mr Wee is a member of the Remuneration and Nominating Committees.

A career banker with more than 35 years of banking experience in the UOB Group, Mr Wee joined United Overseas Bank, Singapore (UOB Singapore) in 1979 and has been a director of UOB Singapore since 1990. He is currently the Deputy Chairman and Chief Executive Officer of UOB Singapore.

He also holds directorships in United Overseas Insurance and United Overseas Bank (Thai) Public Company. He is Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

Mr Wee is the current Chairman of The Association of Banks in Singapore, the Vice-Chairman of The Institute of Banking & Finance (IBF) and Chairman of the IBF Standards Committee.

He is a member of the Board of Governors of the Singapore-China Foundation, and Visa APCEMEA Senior Client Council, and an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He was previously Deputy Chairman of the Housing & Development Board and a director of the Port of Singapore Authority, UOL Group, Pan Pacific Hotels Group and United International Securities.

In 2013, he was awarded the Singapore Public Service Star by the Singapore Government for his contributions to the financial industry.

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

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

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.

Dato' Jeffrey Ng Tiong Lip

Dato' Jeffrey Ng 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 Chartered Accountants, Australia and New Zealand. 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 Ng 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 and Chairman of Real Estate Housing Developers Association (REHDA) Institute.

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 Ng has also held various positions in non-governmental associations, among which he is the Patron & Past President of REHDA. He was recently awarded REHDA Personality of 2015 for his contribution to the real estate industry, and elected Chairman of the Malaysian REIT Managers Association (MRMA). He has also been re-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 and Remuneration Committees. She is 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 a member of Merdeka Award Education and Community Category Nomination Committee. Puan Fatimah continues as a mentor in the 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.

Robert Kwan Koh Wah

Mr Kwan was appointed to the Board on 4 January 2016 as an independent non-executive director. He is the Chairman of the Bank's Risk Management Committee and also a member of the Audit and Nominating Committees.

With over 44 years of banking experience covering Back Office Operations, Credit and Treasury, Mr Kwan has had extensive banking experience. He started his career with Citibank in 1970 and was involved in Operations, Credit and held senior positions in Treasury including as Foreign Exchange and Money Market Head, Business Development Head and also Treasurer. In 2007, Mr Kwan joined CIMB Investment Bank Berhad (CIMB) as Director, Global Head of Foreign Exchange Trading, a position he held until his retirement in May 2015.

Mr Kwan also provided training for middle managers in CIMB, lecturing on Foreign Exchange in their in-house training programs. He was approved by Securities Commission as a trainer for the "Fundamentals of Foreign Exchange and Foreign Exchange Hedging" training program to qualify for Continuing Professional Education hours.

Corporate Information

SENIOR MANAGEMENT

Wong Kim Choong
Chief Executive Officer

Kevin Lam Sai Yoke
Deputy Chief Executive Officer

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

Daniel Loke Chee Keen
Executive Director
Country Head, Compliance

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 & Operations

Michael Beh Soo Heng
Managing Director
Country Head, Global Market

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

Ong Kit Ping
Executive Director
Country Head, Legal & Secretariat

Ong Yee Ben
Executive Director
Country Head, Internal Audit

Raymond Chui Keng Leng
Executive Director
Country Head, Business Banking

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

Rosmah Binti Ismail
Executive Director
Country Head, Islamic Banking

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

Steven Ng Ling Tee
Executive Director
Country Head, Specialised Financing

Tam Chee Meng
Executive Director
Country Head, Credit - Corporate & Financial Institutions

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 Keng

Federal Territory
Kuala Lumpur Main Branch
Level 2, Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-2692 4511
Fax: 03-2691 3110
Manager: Jonathan How Boon Seong

Jalan Imbi Branch
197-199, Jalan Imbi
55100 Kuala Lumpur
Tel: 03-2143 5722
Fax: 03-2148 9725
Manager: Phoon Leong Yew

Jalan Pudu Branch
408-410, Jalan Pudu
55100 Kuala Lumpur
Tel: 03-9222 9022
Fax: 03-9221 6667
Manager: Janny Yew Beng Guay

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: Mona Tan Swee Ling

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: Eric Lin Yok Kong

Federal Territory / Selangor
Central Area II
2108, Jalan Meru
41050 Klang
Tel: 03-3361 2198
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: Karen Lee Shek Fern

Selangor
Ijok Branch
57, Jalan PPAJ 3/1
Pusat Perdagangan Alam Jaya
42300 Bandar Puncak Alam
Tel: 03-6038 8287
Fax: 03-6038 8289
Manager: Yeoh Kean Hiong

Klang Branch
2108, Jalan Meru
41050 Klang
Tel: 03-3361 2000
Fax: 03-3342 1135
Manager: 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 3/9C
Section 9, 40100 Shah Alam
Tel: 03-5891 6213
Fax: 03-5891 6052
Manager: Yeoh Kean Hiong

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
1, Jalan SS21/58,
Ground Floor, Uptown 1, Damansara Uptown
47400 Petaling Jaya
Tel: 03-7724 3888
Fax: 03-7727 5566
Area Manager: Tan Guan Leong

Ampang Branch
495, Jalan Lima
Taman Ampang Utama
Jalan Ampang
68000 Ampang
Tel: 03-4264 0288
Fax: 03-4257 8322
Manager: Lee Kim Thye

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
1, Jalan SS21/58,
Ground Floor, Uptown 1, Damansara Uptown
47400 Petaling Jaya
Tel: 03-7724 3888
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 1844
Fax: 09-513 8266
Area Manager: Liew Chai Kar

Pahang

Kuantan Branch
2, Jalan Besar
25000 Kuantan
Tel: 09-514 4155 / 09-516 1844 / 09-516 4755
Fax: 09-513 8266
Manager: Liew Chai Kar (Acting)

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: Vincent Lim Chee Tean

Kelantan

Kota Bharu Branch
No 724, Jalan Sultanah Zainab
15000 Kota Bharu
Tel: 09-748 2699 / 09-748 3066
Fax: 09-748 4307
Manager: Shaharom Bin Kahar

Perak / Pulau Pinang / Kedah

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

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: 04-548 8288
Fax: 04-530 3818
Manager: Tan Yang Cheng

Butterworth Branch
4071 & 4072, Jalan Bagan Luar
12000 Butterworth
Tel: 04-314 8000
Fax: 04-323 6953
Manager: Yeong Ai Vee

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

Lebuh Bishop Branch
64E-H, Lebuh Bishop
10200 Pulau Pinang
Tel: 04-258 8000
Fax: 04-261 0868
Manager: 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 6800
Fax: 07-355 3761
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: Chan Chee Peng

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

Johor

Muar Branch
10, Jalan Pesta 1/1
Kg. Kenangan Tun Dr. Ismail (1)
Jalan Bakri
84000 Muar
Tel: 06-955 5881
Fax: 06-953 1181
Manager: 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
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
Fax: 07-772 1977
Manager: Wong Hip Sai

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: 088-526 000
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 Ping

Kuching Branch
No. 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 seven 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

Dato' Jeffrey Ng Tiong Lip
Independent and non-executive

Puan Fatimah Binti Merican
Independent and non-executive

Mr Robert Kwan Koh Wah
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's affairs. He leads the management team and implements the Board's decisions. He is also responsible for seeking new business opportunities and ensuring that a good system of internal controls and risk management is implemented. All the other directors are non-executive. The Board is responsible for providing strategic direction, entrepreneurial leadership and guidance, approving annual budgets, ensuring true and fair financial statements, monitoring financial performance, determining capital/debt structure as well as reviewing risk management framework and processes. 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.

Directors have direct and unrestricted access to Management for information and clarification on matters pertaining to the Bank. Directors have unfettered access to information, Senior Management and the external auditor. Comprehensive and timely financial, risk management and business reports are provided to directors, with sufficient time for them to review before a meeting. Directors may also approach Senior Management should they require any additional information. Prior to each Board Meeting, directors are provided with timely and complete information to enable them to discharge their responsibilities and make informed decisions. Where appropriate, directors may seek independent professional advice on any matter pertaining to UOB (Malaysia), the costs of which are borne by 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.

As a group, the directors have vast and varied experience in banking, finance, business and management, and the skills and expertise relevant to the business of the Bank. The directors also recognise the importance of training and development to keep abreast of prudential requirements and best practices. For the year under review, they attended various training programmes related to their duties as directors of UOB (Malaysia) including financial analysis, governance and risk management practices. Each new director received an induction package which includes the articles of directorship, terms of reference of the Board and Board Committees, and guidance on directors' duties. Briefings are organised for new directors to be familiarised with the key areas of the Bank's business and risk management. New directors also meet with key senior management officers as part of their induction. Through the Bank's continuous development programme, new and existing directors receive training on topics that are relevant to the business of the Bank and which meet the objective of equipping directors with the relevant knowledge and skills to perform their role effectively.

The Board meets at least six times a year. Directors' attendance at Board and Board Committee meetings in 2015 is set out in the table below.

Number of meetings attended in 2015

	Board of Directors	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Dr Wee Cho Yaw	4	N/A	N/A	3	2
Mr Ong Yew Huat	6	N/A	N/A	N/A	N/A
Mr Wee Ee Cheong	5	N/A	N/A	2	2
Mr Francis Lee Chin Yong*	6	4	4	3	3
Datuk Abu Huraira Bin Abu Yazid**	6	4	4^	3^	3
Dato' Jeffrey Ng Tiong Lip	6	4^	4	N/A	3
Puan Fatimah Binti Merican	6	4	4	N/A	3^
Mr Robert Kwan Koh Wah#	-	-	-	-	-
Mr Wong Kim Choong	6	N/A	N/A	N/A	N/A
Number of meetings held in 2015	6	4	4	3	3

** Resigned on 31 January 2016.* *** Retired on 3 February 2016.* *# Appointed on 4 January 2016.* *^ Chairman/Chairperson 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 8. 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/chairperson 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. 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. 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, compliance, legal and other risks.

Remuneration Committee

The Remuneration Committee (RC) comprises an independent non-executive director and two non-independent non-executive directors. It reviews the remuneration policy of the Bank and the remuneration for directors, chief executive officer and key senior management officers for reasonableness and alignment with UOB (Malaysia)'s culture, objectives and strategy. It also recommends the remuneration of directors, chief executive officer and key senior management officers for the full Board's approval.

Nominating Committee

The Nominating Committee (NC) comprises three independent non-executive directors and two 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 management officers.

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 by Directors in respect of preparation of the annual audited financial statements of the Bank is set out on page 60.

Internal Audit

The Bank has a well-established internal audit function which reports to the Audit Committee (AC) functionally and to the Chief Executive Officer administratively. The primary role of Internal Audit is to provide independent assessment of the reliability, adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. It operates within the framework defined in its Internal Audit Charter and adopts the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors and other relevant best practices, and is guided by The Internal Audit Function in Banks issued by the Basel Committee on Banking Supervision.

Internal Audit reviews and audits the Bank's businesses and operations and the operations of its subsidiaries according to a risk-based audit plan. Audit projects are prioritised and scoped based on IA's assessment of the Bank's risks and controls over the risk types. The internal audit plan is reviewed annually and tabled to the AC for approval.

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

Pillar 3 Disclosure

United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)), in compliance with the requirements under Bank Negara Malaysia 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'. This supplements the related information in the 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 an associate is accounted for using the equity method from the date the Bank obtains significant influence over the associate until the date such significant influence ceases. For the purpose of computing capital adequacy requirements at the Bank level, investment in subsidiaries and investment in an associate are deducted from regulatory capital in compliance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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

Capital Adequacy

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

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

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

Two committees oversee our capital planning and assessment process. The Risk Management Committee (RMC) assists the Board with the management of risks arising from the business of the UOB (Malaysia) Group while the Risk and Capital Committee (RCC) manages the UOB (Malaysia) Group's ICAAP, overall risk profile and capital requirements. The UOB (Malaysia) Group'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 exposures in each category of the Bank for the financial year ended 31 December 2015 were as follows:

RM'000

Item	Exposures Class	Exposures Pre Credit Risk Mitigation (CRM)	Exposures Post Credit Risk Mitigation (CRM)	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk				
1.1	Exempted Exposures under the Standardised Approach (SA)				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	15,935,875	15,935,875	-	-
	Banks, Development Financial Institutions (DFIs) and Multilateral Development Banks (MDBs)	100,036	100,036	20,007	1,600
	Insurance Companies, Securities Firms & Fund Managers	10,273	242	242	19
	Corporates	534,403	532,294	532,083	42,567
	Other Assets	994,158	994,158	802,583	64,207
	Defaulted Exposures	7,589	7,589	11,383	911
	Total On-Balance Sheet Exposures	**17,582,334**	**17,570,194**	**1,366,298**	**109,304**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2015 were as follows (continued):

RM'000

Item	Exposures Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.1	Exempted Exposures under the Standardised Approach (SA)(Continued)				
	Off-Balance Sheet Exposures				
	OTC Derivatives	375,245	375,245	272,749	21,820
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	137,645	136,171	126,794	10,143
	Total Off-Balance Sheet Exposures	**512,890**	**511,416**	**399,543**	**31,963**
	Total On and Off-Balance Sheet Exposures (SA)	**18,095,224**	**18,081,610**	**1,765,841**	**141,267**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-Balance Sheet Exposures				
	Banks, DFIs and MDBs	3,345,265	3,345,265	863,741	69,099
	Corporates	25,185,715	22,388,111	25,271,451	2,021,716
	Equity (Simple Risk Weight)	78,532	78,532	310,390	24,831
	Defaulted Exposures	642,380	629,993	-	-
	Total On-Balance Sheet Exposures	**29,251,892**	**26,441,901**	**26,445,582**	**2,115,646**
	Off-Balance Sheet Exposures				
	OTC Derivatives	1,569,597	1,566,501	769,035	61,523
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	8,640,601	7,712,209	7,406,950	592,556
	Defaulted Exposures	21,174	20,859	-	-
	Total Off-Balance Sheet Exposures	**10,231,372**	**9,299,569**	**8,175,985**	**654,079**
	Total On and Off-Balance Sheet Exposures (FIRB)	**39,483,264**	**35,741,470**	**34,621,567**	**2,769,725**
1.3	Exposures under the Advance IRB Approach (AIRB)				
	On-Balance Sheet Exposures				
	Corporates	23,967	23,967	6,419	514
	Residential Mortgages	28,067,570	28,067,570	3,041,079	243,286
	Qualifying Revolving Retail	2,236,755	2,236,755	942,361	75,389
	Other Retail	14,941,327	14,941,327	2,630,775	210,462
	Defaulted Exposures	626,266	626,266	779,713	62,377
	Total On-Balance Sheet Exposures	**45,895,885**	**45,895,885**	**7,400,347**	**592,028**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2015 were as follows (continued):

RM'000

Item	Exposures Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.3	Exposures under the Advance IRB Approach (AIRB) (Continued)				
	Off-Balance Sheet Exposures				
	OTC Derivatives	3,881	3,881	2,890	231
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	6,530,388	6,530,388	866,078	69,286
	Defaulted Exposures	155	155	261	21
	Total Off-Balance Sheet Exposures	6,534,424	6,534,424	869,229	69,538
	Total On and Off-Balance Sheet Exposures (AIRB)	52,430,309	52,430,309	8,269,576	661,566
	Total Exposures under IRB Approach	91,913,573	88,171,779	42,891,143	3,431,291
	Total (Exempted Exposures and Exposures under the IRB Approach) after scaling factor	-	-	47,230,453	3,778,436
2.0	Large Exposures Risk Requirement	-	-	-	-
3.0	Market Risk	Long Position	Short Position		
	Interest Rate Risk	37,384,320	30,954,299	923,957	73,917
	Foreign Currency Risk	407,765	365,164	50,343	4,027
	Commodity Risk	430,565	428,670	165,404	13,232
	Options Risk	-	-	27,810	2,225
4.0	Operational Risk (Basic Indicator Approach)			4,673,789	373,903
5.0	Total RWA and Capital Requirements			53,071,756	4,245,741

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2014 were as follows (continued):

RM'000

Item	Exposures Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk				
1.1	Exempted Exposures under the Standardised Approach (SA)				
	On-Balance Sheet Exposures				
	Corporates	1,618,098	1,616,068	1,616,068	129,285
	Other Assets	450,287	450,287	358,703	28,696
	Defaulted Exposures	7,565	7,565	11,347	908
	Total On-Balance Sheet Exposures	**2,075,950**	**2,073,920**	**1,986,118**	**158,889**
	Off-Balance Sheet Exposures				
	OTC Derivatives	378,998	378,998	216,459	17,317
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	128,417	126,554	126,554	10,124
	Total Off-Balance Sheet Exposures	**507,415**	**505,552**	**343,013**	**27,441**
	Total On and Off-Balance Sheet Exposures (SA)	**2,583,365**	**2,579,472**	**2,329,132**	**186,331**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	18,833,792	18,833,792	-	-
	Banks, DFIs and MDBs	3,007,600	3,007,600	666,568	53,325
	Corporates	24,022,107	21,513,970	22,872,579	1,829,806
	Equity (Simple Risk Weight)	113,329	113,329	447,181	35,774
	Defaulted Exposures	532,297	520,373	-	-
	Total On-Balance Sheet Exposures	**46,509,125**	**43,989,065**	**23,986,328**	**1,918,906**
	Off-Balance Sheet Exposures				
	OTC Derivatives	1,093,694	1,078,101	500,755	40,060
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	4,658,178	3,844,165	3,184,787	254,783
	Defaulted Exposures	9,049	7,472	-	-
	Total Off-Balance Sheet Exposures	**5,760,921**	**4,929,738**	**3,685,542**	**294,844**
	Total On and Off-Balance Sheet Exposures (FIRB)	**52,270,046**	**48,918,803**	**27,671,870**	**2,213,750**
1.3	Exposures under the Advance IRB Approach (AIRB)				
	On-Balance Sheet Exposures				
	Residential Mortgages	26,790,525	26,790,525	2,799,487	223,959
	Qualifying Revolving Retail	2,147,490	2,147,490	988,983	79,119
	Other Retail	14,212,469	14,212,469	2,600,406	208,032
	Defaulted Exposures	571,450	571,450	551,702	44,136
	Total On-Balance Sheet Exposures	**43,721,934**	**43,721,934**	**6,940,578**	**555,246**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2014 were as follows (continued):

RM'000

Item	Exposures Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.3	Exposures under the Advance IRB Approach (AIRB) (Continued)				
	Off-Balance Sheet Exposures				
	OTC Derivatives	6,255	6,255	2,517	201
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	2,944,089	2,944,089	426,934	34,155
	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 Exposures under IRB Approach	98,942,404	95,591,161	35,041,999	2,803,360
	Total (Exempted Exposures and Exposures under the 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
	Commodity Risk	388,406	386,783	148,527	11,882
	Options Risk	-	-	10,800	864
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 Structure

The Bank, on 29 March 2010 issued RM 500 million subordinated bonds maturing on 29 March 2020. The bonds were fully redeemed on 30 March 2015.

The Bank, on 30 August 2013 issued RM 500 million subordinated bonds at 4.55% p.a., maturing on 29 August 2023.

The Bank, on 8 May 2015 issued RM 1 billion subordinated bonds at 4.65% p.a. maturing on 8 May 2025.

Both subordinated bonds are for working capital, general funding and corporate funding purposes.

For main features of the subordinated bonds, refer to Note 18 in the Financial Statements.

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Common Equity Tier 1 (CET1)/Tier 1 Capital</u>				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits	6,305,544	5,691,949	6,368,438	5,753,972
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	223,531	184,481	56,387	58,230
Regulatory adjustments applied in the calculation of CET1 Capital	(238,046)	(201,767)	(90,887)	(76,539)
Total CET1/Tier 1 Capital	7,553,584	6,937,218	7,596,493	6,998,218
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,500,000	900,000	1,500,000	900,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	169,563	222,867	175,551	222,867
- Collective impairment provisions	25,697	58,999	22,073	53,678
Regulatory adjustments applied in the calculation of Tier 2 Capital	65,250	(24,091)	(8,143)	(80,019)
Total Tier 2 Capital	1,760,510	1,157,775	1,689,481	1,096,526
Total Capital	9,314,094	8,094,993	9,285,974	8,094,744

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

	Group		Bank	
	2015	2014	2015	2014
CET1/Tier 1 Capital	14.155%	15.461%	14.314%	15.684%
Total Capital	17.455%	18.042%	17.497%	18.141%
CET1/Tier 1 Capital (net of proposed dividends)	13.455%	14.452%	13.610%	14.668%
Total Capital (net of proposed dividends)	16.754%	17.032%	16.793%	17.126%

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 that 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 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 that 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 with 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. 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 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 the 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 its financial obligations when such obligations fall due. Credit risk is the single largest risk that the Bank faces in its core business as a commercial bank, arising primarily from loans 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 actions.

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 RMC 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 (RMD) 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 credit 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 eligible capital base. Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. Regular assessments of emerging risks and in-depth reviews of industry trends are performed to provide a forward-looking view on developments that could impact the Bank's portfolio.

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 approved by senior management.

Credit Monitoring and Remedial Management
The Bank regularly monitors credit exposures, portfolio performance and emerging risks that may impact its credit risk profile. The Board and senior management are updated on credit trends through internal risk reports. 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 disciplined process by officers from business units and risk management function. Where appropriate, such accounts are also subject to more frequent credit reviews.

Classification and Loan Loss Impairment
The Bank classifies its credit portfolios according to the borrower's ability to repay the credit facility from their normal source of income.

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

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

Credit Risk (Continued)

Classification and Loan Loss Impairment (Continued)

A rescheduled or restructured account shall be categorised as Non-Performing when the account exhibits signs of increase in credit risk. The rescheduled or restructured account is to be placed on the appropriate classified grade based on the Bank's assessment of the financial condition of the borrower and the ability of the borrower to repay under the rescheduled or restructured terms. A rescheduled or restructured account must comply fully with the rescheduled or restructured terms before it can be declassified.

The Bank provides for impairment based on local regulatory requirements including Bank Negara Malaysia guidelines and MFRS 139 for local reporting purposes. Where necessary, additional impairment is provided for 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 realizable 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 Exposures by Sector

Bank 2015	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corp (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry and Fishing	-	-	2,864	-	1,192,345	-	-	-	-	1,195,209
Mining and Quarrying	-	-	867,537	-	217,458	-	-	-	-	1,084,995
Manufacturing	-	-	37,596	-	6,053,272	-	-	-	-	6,090,868
Electricity, Gas and Water	-	-	-	-	92,297	-	-	-	-	92,297
Construction	-	-	29,292	-	13,026,238	-	-	-	-	13,055,530
Wholesale, Retail Trade, Restaurant and Hotels	-	-	30,084	-	7,022,074	-	-	-	-	7,052,158
Transport, Storage and Communication	-	-	-	-	945,231	-	-	-	-	945,231
Finance, Insurance and Business Services	34,464	-	3,248,806	294,930	2,085,648	-	-	-	-	5,663,848
Real Estate	-	-	-	-	3,307,320	-	-	-	-	3,307,320
Community, Social and Personal Services	-	-	-	-	24,301	-	-	-	-	24,301
Households	-	-	-	-	176	21,169,312	31,212,476	-	-	52,381,964
Others	15,915,191	75,595	932,364	-	1,086,329	-	-	78,532	-	18,088,011
Other Assets not subject to Credit Risk	-	-	-	-	-	-	-	-	1,027,066	1,027,066
Grand Total	15,949,655	75,595	5,148,543	294,930	35,052,689	21,169,312	31,212,476	78,532	1,027,066	110,008,798

(ii) Credit Exposures by Remaining Contractual Maturities

Bank 2015	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corp (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
‹ 3 Months	3,574,692	7,671	1,144,913	10,181	2,285,526	163,469	-	-	-	7,186,452
3 - 6 Months	-	-	96,956	1,875	18,358	461	-	-	-	117,650
6 - 12 Months	-	30,934	18,928	-	8,231	-	-	-	-	58,093
1 - 3 Years	11,930,426	36,990	3,466,868	268,000	19,100,869	6,223,005	1,612,586	-	1,027,066	43,665,810
3 - 5 Years	444,537	-	357,925	14,070	7,307,548	299,983	240,749	-	-	8,664,812
› 5 Years	-	-	62,953	804	6,332,157	14,482,394	29,359,141	78,532	-	50,315,981
Grand Total	15,949,655	75,595	5,148,543	294,930	35,052,689	21,169,312	31,212,476	78,532	1,027,066	110,008,798

Credit Risk (Continued)

(i) Credit Exposures by Sector

Bank 2014	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corp (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry and Fishing	-	-	-	-	960,109	-	-	-	-	960,109
Mining and Quarrying	-	-	-	-	1,201,338	-	-	-	-	1,201,338
Manufacturing	-	-	-	-	5,356,715	-	-	-	-	5,356,715
Electricity, Gas and Water	-	-	-	-	42,560	-	-	-	-	42,560
Construction	-	-	-	-	8,298,546	-	-	-	-	8,298,546
Wholesale, Retail Trade, Restaurant and Hotels	-	-	-	-	6,133,435	-	-	-	-	6,133,435
Transport, Storage and Communication	-	-	-	-	923,464	-	-	-	-	923,464
Finance, Insurance and 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 and 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 Exposures by Remaining Contractual Maturities

Bank 2014	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corp (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
< 3 Months	502,709	5,651	183,669	19,123	3,061,188	166,364	-	-	437	3,939,142
3 - 6 Months	-	5,800	84,242	34,763	32,603	3,012	-	-	-	160,420
6 - 12 Months	-	9,629	140,545	8,868	12,947	129	-	-	-	172,117
1 - 3 Years	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 Years	218,702	-	394,096	13,371	5,354,998	326,567	267,153	-	-	6,574,887
> 5 Years	-	-	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	27,974,725	113,329	495,424	101,525,769

Credit Risk (Continued)

(iii) Past due and impaired loans analysed by industry

Bank	2015		2014	
	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	1,427	-	1,758	-
Mining and Quarrying	503	360	1,752	-
Manufacturing	280,344	204,103	203,521	240,290
Electricity, Gas and Water	-	-	703	-
Construction	670,814	200,318	492,083	214,039
Wholesale, Retail Trade, Restaurant and Hotels	384,065	140,881	328,076	123,950
Transport, Storage and Communication	29,089	100,232	19,887	4,245
Finance, Insurance and Business Services	42,620	17,355	51,421	15,447
Real Estate	251,394	48,921	196,023	15,611
Community, Social and Personal Services	4,961	862	3,185	960
Households:				
- purchase of residential properties	1,303,155	370,721	1,139,158	341,406
- purchase of non residential properties	383,134	49,585	262,396	43,532
- others	224,600	82,843	189,944	69,589
	3,576,106	1,216,181	2,889,907	1,069,069

(iv) Individual and collective impairment provisions analysed by industry

Bank	2015		2014	
	Individual impairment RM'000	Collective impairment RM'000	Individual impairment RM'000	Collective impairment RM'000
Agriculture, Hunting, Forestry and Fishing	-	58,852	-	39,702
Mining and Quarrying	73	1,931	-	9,880
Manufacturing	62,125	186,924	85,129	148,818
Electricity, Gas and Water	-	4,428	-	606
Construction	33,022	125,323	9,516	127,241
Wholesale, Retail Trade, Restaurant and Hotels	32,818	185,436	47,857	104,658
Transport, Storage and Communication	126	7,543	1,815	15,512
Finance, Insurance and Business Services	5,318	70,651	5,270	70,438
Real Estate	1,818	94,228	1,867	104,934
Community, Social and Personal Services	134	954	352	1,421
Households:				
- purchase of residential properties	26,740	127,758	27,768	127,675
- purchase of non residential properties	3,820	48,836	6,843	37,988
- others	17,860	105,631	16,783	119,240
Others	-	1,003	-	1,605
	183,854	1,019,498	203,200	909,718

Impaired loans and impairment provision by geographical area

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

Credit Risk (Continued)

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

	2015		2014	
Bank	Individual impairment made during the year RM'000	Write-offs during the year RM'000	Individual impairment made during the year RM'000	Write-offs during the year RM'000
Mining and Quarrying	76	-	-	-
Manufacturing	42,197	27,816	44,430	67,271
Construction	35,397	-	2,335	9,235
Wholesale, Retail Trade, Restaurant and Hotels	46,545	27,533	51,190	19,386
Transport, Storage and Communication	25,974	-	3,071	-
Finance, Insurance and Business Services	2,589	727	628	6,771
Real Estate	248	-	575	-
Community, Social and Personal Services	27	-	308	20
Households:				
- purchase of residential properties	27,708	3,749	31,676	3,004
- purchase of non residential properties	3,400	4,708	3,612	594
- others	88,847	82,761	79,795	74,246
	273,008	147,294	217,620	180,527

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

Bank	2015 RM'000	2014 RM'000
Collective impairment		
Balance as at 1 January	909,718	727,504
Allowance made during the year	109,780	182,214
Balance as at 31 December	1,019,498	909,718
Individual impairment		
Balance as at 1 January	203,200	274,857
Allowance made during the year	273,008	217,620
Amounts written back in respect of recoveries	(139,523)	(110,584)
Amounts written off	(147,294)	(180,527)
Interest recognition on impaired loans	(2,492)	4,254
Transfer to debt restructuring	-	(2,420)
Other adjustment	(3,045)	-
Balance as at 31 December	183,854	203,200

Credit Risk (Continued)

(vii) Geographical Analysis

Bank 2015	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	7,235,848	499,503	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Deposits and placements with financial institutions	1,846	11,236	13,082
Financial assets at fair value through profit or loss (FVTPL)	1,834,666	-	1,834,666
Available-for-sale securities (AFS)	5,228,465	-	5,228,465
Loans and advances	64,297,031	6,761,244	71,058,275
Derivative financial assets	953,909	76,723	1,030,632
Other assets	104,660	-	104,660
Statutory deposits with BNM	2,212,280	-	2,212,280
	86,853,069	7,348,706	94,201,775
Commitments and Contingencies	78,103,509	8,888,839	86,992,348

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	499,826	-	499,826
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	746,723	159,223	905,946
Other assets	96,610	-	96,610
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

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	18,082	35,790	52,382

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

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

Credit Risk (Continued)

Credit Exposures under Basel II (Continued)

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

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

(viii) The aggregate breakdown of credit risk exposure by risk weights of the Bank was as follows :

RM'000

Risk Weights	2015							
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Funds Mangers	Corporates	Other Assets	Total Exposures after Netting and CRM	Total RWA
0%	15,949,655	-	-	-	488	191,575	16,141,718	-
10%	-	-	-	-	-	-	-	-
20%	-	75,595	107,044	-	-	-	182,639	36,527
35%	-	-	-	-	-	-	-	-
50%	-	-	63,467	-	-	-	63,467	31,734
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	284,814	565,892	835,491	1,686,197	1,686,197
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	7,589	-	7,589	11,383
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	15,949,655	75,595	170,511	284,814	573,969	1,027,066	18,081,610	1,765,841

Credit Risk (Continued)

(viii) The aggregate breakdown of credit risk exposure by risk weights of the Bank was as follows (continued):

RM'000

Risk Weights	2014							
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Funds Mangers	Corporates	Other Assets	Total Exposures after Netting and CRM	Total RWA
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	1,646,820	403,841	2,256,984	2,256,984
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	7,565	-	7,565	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)

(ix) Rated Exposures according to ratings by ECAI's for the financial year ended 31 December 2015:

RM'000

Ratings of Corporates 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
Exposures Class					
<u>On and Off-Balance Sheet Exposures</u>					
<u>Credit Exposures (using Corporate Risk Weights)</u>					
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	75,595
Insurance Cos, Securities Firms and Fund Managers	-	-	-	-	284,814
Corporates	-	-	-	-	573,969
Total	**-**	**-**	**-**	**-**	**934,378**

RM'000

Ratings of Banking Institutions by Approved ECAIs						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to 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	A 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
Exposures Class						
<u>On and Off-Balance Sheet Exposure</u>						
Banks, DFIs and MDBs	117,712	8	28,791	-	-	24,000
Total	**117,712**	**8**	**28,791**	**-**	**-**	**24,000**

RM'000

Ratings of Sovereigns and Central Banks by Approved ECAIs						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to 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	A 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
Exposures Class						
<u>On and Off-Balance Sheet Exposure</u>						
Sovereigns and Central Banks	-	15,949,655	-	-	-	-
Total	**-**	**15,949,655**	**-**	**-**	**-**	**-**

Credit Risk (Continued)

(ix) Rated Exposures according to ratings by ECAI's for the financial year ended 31 December 2014:

RM'000

Ratings of Corporates 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
Exposures Class					
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 and Fund Managers	-	-	-	-	206,323
Corporates	-	-	-	-	1,654,385
Total	-	-	-	-	1,949,328

RM'000

Ratings of Banking Institutions by Approved ECAIs						
Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to 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	A 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
Exposures Class						
On and Off-Balance Sheet Exposure						
Banks, DFIs and MDBs	26,676	90,824	4,644	1,078	-	11,498
Total	26,676	90,824	4,644	1,078	-	11,498

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

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

While the Bank's internal risk rating grades may show some correlation with the rating grades of 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 small and medium-sized enterprises (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. The Large Corporate and SME models are mapped to the rating scale by calibration that takes 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: IPRE, CF, and 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.

Commodities Finance (CF) and Project Finance (PF)

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

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

Investment exposures adopting the SRW method are subject to the supervisory risk weights, while investment exposures adopting the PD/LGD method are rated using the Bank's internal Bank scorecard.

Retail Exposures

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

Credit Risk (Continued)

Retail Exposures (Continued)

Exposures within each of these asset classes are not managed individually, but as part of a pool of similar exposures based on borrower and transaction characteristics. Internal risk segmentation models are used to estimate PD, LGD and EAD parameters for each of these exposure pools based on historical internal loss data. Where internal loss data 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 which meet the 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)

Credit Risk Profile

The following tables showed the breakdown of exposures by RWA and EAD for the Bank using the respective internal rating scale for the model applicable to the asset classes for the financial year ended 31 December 2015:

Exposures under the IRB Approach by Risk Grade

CRR Band	1-9	10-16	17-20 (Default)
Non Retail Exposures (EAD) (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	19,643,454	14,166,471	665,297
Specialised Lending (CF and PF)	-	-	-
Bank	4,871,760	106,271	-
Total Non Retail Exposures	**24,515,214**	**14,272,742**	**665,297**
Undrawn Commitments (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	3,238,173	507,440	6,594
Specialised Lending (CF and PF)	-	-	-
Bank	-	-	-
Total Undrawn Commitments	**3,238,173**	**507,440**	**6,594**
Exposures Weighted Average LGD			
Large Corporate, SMEs and Specialised Lending (IPRE)	42%	40%	45%
Specialised Lending (CF and PF)	0%	0%	0%
Bank	45%	45%	0%
Exposures Weighted Average Risk Weight			
Large Corporate, SMEs and Specialised Lending (IPRE)	79%	123%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Bank	27%	64%	0%

PD Range of Retail Exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Retail Exposures (EAD) (RM'000)				
Residential Mortgages	26,192,528	1,227,022	3,392,590	400,336
Qualifying Revolving Retail	1,157,944	431,790	1,153,792	47,777
Other Retail	13,093,554	2,550,822	2,556,458	177,175
Total Retail Exposures	**40,444,026**	**4,209,634**	**7,102,840**	**625,288**
Undrawn Commitments (RM'000)				
Residential Mortgages	2,077,753	512,800	154,017	-
Qualifying Revolving Retail	313,009	92,269	101,494	-
Other Retail	2,145,428	705,576	247,136	240
Total Undrawn Commitments	**4,536,190**	**1,310,645**	**502,647**	**240**
Exposures Weighted Average LGD				
Residential Mortgages	11.64%	12.60%	11.87%	12.15%
Qualifying Revolving Retail	31.44%	47.39%	50.49%	61.83%
Other Retail	16.29%	22.89%	21.88%	23.37%
Exposures Weighted Average Risk Weight				
Residential Mortgages	6.68%	19.83%	39.02%	74.01%
Qualifying Revolving Retail	6.12%	21.64%	74.46%	417.46%
Other Retail	12.21%	26.14%	34.16%	160.44%

Credit Risk (Continued)

Credit Risk Profile (Continued)

The following tables showed the breakdown of exposures by RWA and EAD for the Bank using the respective internal rating scale for the model applicable to the asset classes for the financial year ended 31 December 2014:

Exposures under the IRB Approach by Risk Grade (Continued)

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

PD Range of Retail Exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Retail Exposures (EAD) (RM'000)				
Residential Mortgages	24,205,099	646,440	2,750,027	373,159
Qualifying Revolving Retail	1,001,187	425,981	1,166,091	30,570
Other Retail	11,711,389	2,120,031	2,074,585	167,800
Total Retail Exposures	**36,917,674**	**3,192,451**	**5,990,703**	**571,530**
Undrawn Commitments (RM'000)				
Residential Mortgages	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**	**-**
Exposures Weighted Average LGD				
Residential Mortgages	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%
Exposures Weighted Average Risk Weight				
Residential Mortgages	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%

Credit Risk (Continued)

Retail Exposures under the IRB Approach by Expected Loss (EL) Range for the financial year ended 31 December 2015 were as follows:

EL% Range of Retail Exposures	0.0 to 1.0%	1.0 to 5.0%	5.0 to 10.0%	10.0 to 30.0%	30.0% to 100%
Retail Exposures (EAD) (RM'000)					
Residential Mortgages	30,169,572	877,492	32,050	133,362	-
Qualifying Revolving Retail	1,588,598	788,993	155,500	181,077	77,135
Other Retail	17,277,327	865,707	175,128	36,152	23,695
Total Retail Exposures	**49,035,497**	**2,532,192**	**362,678**	**350,591**	**100,830**
Undrawn Commitments (RM'000)					
Residential Mortgages	2,736,153	7,906	511	-	-
Qualifying Revolving Retail	378,515	117,511	6,307	3,983	455
Other Retail	3,039,823	51,030	4,752	2,535	240
Total Undrawn Commitments	**6,154,491**	**176,447**	**11,570**	**6,518**	**695**
Exposures Weighted Average Risk Weight					
Residential Mortgages	10.07%	62.13%	89.55%	0.09%	0.00%
Qualifying Revolving Retail	8.93%	50.61%	115.80%	181.72%	223.63%
Other Retail	15.63%	52.94%	113.47%	169.33%	21.57%

Retail Exposures under the IRB Approach by Expected Loss (EL) Range for the financial year ended 31 December 2014 were as follows:

EL% Range of Retail Exposures	0.0 to 1.0%	1.0 to 5.0%	5.0 to 10.0%	10.0 to 30.0%	30.0% to 100%
Retail Exposures (EAD) (RM'000)					
Residential Mortgages	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 Retail Exposures	**43,443,910**	**2,317,462**	**444,636**	**353,843**	**112,507**
Undrawn Commitments (RM'000)					
Residential Mortgages	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**
Exposures Weighted Average Risk Weight					
Residential Mortgages	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)

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 2015.

Comparison of actual loss and expected loss by asset class RM'000

Asset Class	Actual Loss 2015	Expected Loss 2014	Actual Loss 2014	Expected Loss 2013
Corporate	51,618	290,912	18,575	252,176
Bank	-	4,053	-	1,140
Retail	66,223	182,120	56,335	196,494
Total	**117,841**	**477,085**	**74,910**	**449,811**

The actual loss in 2015 is lower than the expected loss computed as at 31 December 2014 due to exceptional recovery in 2015.

Expected loss is the estimated credit loss from defaults over a one-year horizon. Expected loss is the product of PD, LGD and EAD. A comparison of actual loss and expected loss provides an indication of the predictive power of the IRB models used by the Bank.

However, they are not directly comparable due to the following reasons:

i) Expected loss as at 31 December 2014 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years.
ii) Expected loss 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.

Loans, Advances and Financing

Movements in allowance for losses on loans, advances and financing were as follows:

	Bank	
	2015 RM'000	2014 RM'000
Collective Impairment		
Balance as at 1 January	909,718	727,504
Allowance made during the year	109,780	182,214
Balance as at 31 December	**1,019,498**	**909,718**
Individual Impairment		
Balance as at 1 January	203,200	274,857
Allowance made during the year	273,008	217,620
Amount written back in respect of recoveries	(139,523)	(110,584)
Transfer to impairment losses in value of securities	-	-
Amount written off	(147,294)	(180,527)
Interest recognition on impaired loans	(2,492)	4,254
Transfer to debt restructuring	-	(2,420)
Other adjustment	(3,045)	-
Balance as at 31 December	**183,854**	**203,200**
Allowance for losses on loans, advances and financing		
(a) Individual impairment	273,008	217,620
- made in the financial year	(139,523)	(110,584)
- written back in the financial year		
(b) Collective impairment		
- made in the financial year	109,780	182,214
- written back in the financial year	-	-
Impaired loans, advances and financing:		
- written off	3,696	11,586
- recovered	(42,215)	(44,422)
	204,746	**256,414**

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 also often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

For IRB purposes, the Bank does not recognise personal guarantees as an eligible credit risk protection. Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit. To recognise the effects of guarantees under the FIRB approach, the Bank adopts the PD substitution approach whereby the PD of an eligible guarantor of an exposure will be used for calculating the capital requirement.

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

For IRB purpose, the Bank does not recognise ISDA netting. The Current Exposure method is used to estimate its FX and derivative exposures on a gross basis.

Credit Risk Mitigation (Continued)

The CRM of the Bank for the financial year ended 31 December 2015 were as follows:

RM'000

Exposures Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	15,935,875	-	-	-
Publis Sector Entities	-	-	-	-
Banks, DFIs and MDBs	3,445,301	-	-	-
Insurances Cos, Securities Firms and Fund Managers	10,273	-	-	-
Corporates	25,744,086	976,742	1,520,770	1,288,976
Regulatory Retail	17,201,046	-	-	-
Residential Mortgages	28,067,999	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	994,158	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposures	78,532	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	1,097,773	-	1,037	9,896
Total On-Balance Sheet Exposures	**92,575,043**	**976,742**	**1,521,807**	**1,298,872**
Off-Balance Sheet Exposures				
OTC Derivatives	1,694,728	1,735	3,096	-
Credit Derivatives	-	-	-	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	15,539,235	211,409	813,569	116,297
Defaulted Exposures	9,041	-	200	70
Total Off-Balance Sheet Exposures	**17,243,004**	**213,144**	**816,865**	**116,367**
Total On and Off-Balance Sheet Exposures	**109,818,047**	**1,189,886**	**2,338,672**	**1,415,239**

Credit Risk Mitigation (Continued)

The CRM of the Bank for the financial year ended 31 December 2014 were as follows:

RM'000

Exposures Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	18,833,792	-	-	-
Publis Sector Entities	-	-	-	-
Banks, DFIs and MDBs	3,007,600	-	-	-
Insurances Cos, Securities Firms and Fund Managers	206,408	-	-	-
Corporates	25,433,796	1,326,543	1,415,952	1,094,213
Regulatory Retail	16,362,214	-	-	-
Residential Mortgages	26,790,525	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	450,287	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposures	113,329	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	917,688	19,000	2,109	6,048
Total 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	14,249	1,345
Credit Derivatives	-	-	-	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	7,728,429	156,293	741,743	74,132
Defaulted Exposures	8,107	-	1,462	70
Total Off-Balance Sheet Exposures	**9,215,485**	**161,941**	**757,454**	**75,547**
Total On and Off-Balance Sheet Exposures	**101,331,124**	**1,507,484**	**2,175,515**	**1,175,808**

Off-Balance Sheet Exposures 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 Exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2015 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	2,709,647		2,709,647	1,926,742
Transaction related contingent items	4,756,334		2,356,956	1,442,940
Short-term self-liquidating trade related contingencies	478,850		106,401	81,925
Foreign exchange related contracts	22,705,594	632,037	965,068	452,158
One year or less	22,269,024	580,338	886,191	373,404
Over one year to five years	436,570	51,699	78,877	78,754
Over five years	-	-	-	-
Interest/Profit rate related contracts	22,702,771	145,234	740,766	496,438
One year or less	5,023,307	4,851	24,238	9,240
Over one year to five years	15,821,072	125,935	574,884	333,368
Over five years	1,858,392	14,448	141,644	153,830
Equity related contracts	754,267	13,450	54,439	24,726
One year or less	538,475	11,246	40,350	16,168
Over one year to five years	215,792	2,204	14,089	8,558
Over five years	-	-	-	-
Commodity contracts	1,070,028	77,446	188,449	71,353
One year or less	870,028	77,446	164,449	59,353
Over one year to five years	200,000	-	24,000	12,000
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	11,541,428		7,021,964	4,400,914
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	11,788,087		856,304	283,191
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	8,402,569		2,262,136	261,420
Unutilised credit card lines	82,773		16,555	16,555
Off-Balance Sheet for securitisation exposures	-		-	-
Total	86,992,348	868,167	17,278,685	9,458,362

Off-Balance Sheet Exposures And Counterparty Credit Risk

Credit Exposures from Foreign Exchange and Derivatives (Continued)

The Off-Balance Sheet Exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2014 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
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	848,292	343,074
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
Over five years	-	-	-	-
Interest/Profit rate related contracts	20,007,324	96,737	497,294	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	1,097,907	20,700	73,947	34,445
One year or less	657,720	14,625	47,313	19,670
Over one year to five years	440,187	6,075	26,634	14,775
Over five years	-	-	-	-
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 for securitisation exposures	-		-	-
Total	76,294,367	872,869	9,218,763	4,431,097

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. The valuation methodologies employed by the Group are in line with sound market practices. Valuation and Risk Models are independently validated. In addition, a New Product/Service Programme process ensures that market risk issues identified are adequately addressed prior to the launch of products and services. Management of derivatives risks is continuously reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

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

Market Risk appetite is provided for the trading exposure within the Bank.

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, commodity contracts and commodity options.

Internal Model Approach

The Bank estimates a daily Value-at-Risk (VaR) within a 99 per cent confidence interval using the historical simulation method, as a control for market risk. The method assumes that possible future changes in market rates may be implied by observed historical market movements.

As VaR is the statistical measure for potential losses, the VaR measures 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 2015 was RM 2.29 million.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2015				
Interest rate	2,568	4,168	504	2,744
Foreign exchange	940	8,598	348	2,414
Commodities	371	1,614	56	594
Total diversified VaR	2,291	9,443	1,087	3,532
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

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Bank's credibility and ability to transact, maintain liquidity and obtain new business. Operational risk includes 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 of policies and procedures by which Business and Support Units properly identify, assess, monitor, mitigate and report their risks. The ORMC 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 first line of defence is accountable for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities. The responsibility for managing day-to-day operational risk rests with each Line of Business.

Operational Risk (Continued)

- In the second line, ORM is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and reporting of operational risk issues to senior management, relevant management committees and Board of Directors.

- Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

A key component of the operational risk management framework is risk identification and control selfassessments. This is achieved through the bank-wide implementation of a set of operational risk tools:

i) Key Risk and Control Self-Assessment (KRCSA) - KRCSA is a tool for Business/Support Unit Heads to assess their unit's operational risk profile involves identifying and assessing, inherent risks of key processes, as well as evaluating the effectiveness of controls to mitigate the identified risks. Action plans to address operational risk issues are documented and monitored via Operational Risk Action Plans.

ii) Key Operational Risk Indicators (KORI) are statistical data collected and monitored by business and support units on an ongoing basis to enable early detection of operational control weaknesses.

iii) A database of operational risk incident and losses has been established to facilitate the analysis of loss trends and root causes.

iv) Management Risk Awareness (MRA) is a tool for Business/Support Units to self-declare existing material operational risks or newly identified material operational risks arising from new products/processes, change in business environment etc. that are encountered in the day-to-day business activities, but have not yet resulted in an operational incident, so that timely and appropriate risk mitigating actions can be implemented.

(Note: At this juncture, operational risk incident, MRA and action plans are inputted into a web-based system known as Governance, Risk & Compliance (GRC) System which allows the Bank to document, track and analyse the ORM details).

Several risk mitigation policies and programmes are in place to maintain a sound operating environment.

An outsourcing policy ensures that all significant risks arising from outsourcing arrangements are identified and effectively managed on a continuous basis.

A Product/Service Programme ensures that risks associated with the introduction of new products and services are identified, analysed and addressed prior to product launch and is subject to periodic reviews.

A business continuity and crisis management programme has been developed and tested to ensure prompt recovery of critical business functions following 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 following table presented the equity exposures in the banking book.

These exposures were classified under AFS securities which were being measured at fair value.

RM'000

Type of Equities	Bank			
	2015		2014	
	Exposures	RWA	Exposures	RWA
Publicly traded equity exposures * mainly acquired via loan restructuring activities	3,737	11,210	6,136	18,409
All other equity exposures	74,795	299,180	107,193	428,772
	78,532	310,390	113,329	447,181

	Bank	
	2015 RM'000	2014 RM'000
Realised gains arising from sales and liquidation	31,311	1,435
Unrealised gains included in fair value reserve	3,471	5,870

Disclosure For Interest Rate Risk/Rate Of Return Risk In The Banking Book (IRR/RORBB)

Interest Rate Risk in Banking Book

The ALCO maintains oversight of the effectiveness of the interest rate risk management structure. The BSRM supports the ALCO in monitoring the interest rate risk profile of the banking book.

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 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

Disclosure For Interest Rate Risk/Rate Of Return Risk In The Banking Book (IRR/RORBB) (Continued)

Interest Rate Risk in Banking Book (Continued)

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.

The risks arising from the trading book, such as interest rates, foreign exchange rates and equity prices are managed and controlled under the market risk framework that is discussed under the Market Risk section.

Interest Rate Sensitivity Analysis - Banking Book

The table below showed the results at 100 and 200 basis points parallel interest rate shocks to Economic Value of Equity (EVE) and Net Interest Income (NII). The reported figures were based on the upward and downward parallel movement of the yield curve.The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers.

Economic Value Of Equity (EVE)

	Increase/(Decrease) in basis point	Sensitivity of EVE	Increase/(Decrease) in basis point	Sensitivity of EVE
31 December 2015		RM'million		RM'million
Currency				
Total	**+ 200/(200)**	**162.7/(159.0)**	**+ 100/(100)**	**80.8/(79.9)**
MYR	+ 200/(200)	166.8/(160.3)	+ 100/(100)	82.8/(81.3)
US	+ 200/(200)	(4.1)/1.4	+ 100/(100)	(2.1)/1.4
31 December 2014				
Currency				
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)

Net Interest Income (NII)

	Increase/(Decrease) in basis point	Sensitivity of NII	Increase/(Decrease) in basis point	Sensitivity of NII
31 December 2015		RM'million		RM'million
Currency				
Total	**+ 200/(200)**	**296.8/(307.1)**	**+ 100/(100)**	**109.5/(116.5)**
MYR	+ 200/(200)	303.7/(303.7)	+ 100/(100)	113.0/(113.1)
US	+ 200/(200)	(6.9)/(3.4)	+ 100/(100)	(3.4)/(3.4)
31 December 2014				
Currency				
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)

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. In addition to these controls and policies, the Bank also actively manages and monitors daily BNM and Group's Basel III Liquidity Coverage Ratio (LCR). These policies, controls and limits enable the Bank to monitor and manage liquidity risk to ensure that sufficient sources of funds are available over a range of market conditions. These include minimising excessive funding concentrations by diversifying the sources and terms of funding as well as maintaining a portfolio of high quality and marketable liquid assets.

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

The distribution of deposits is managed actively to ensure a balance between cost effectiveness, continued accessibility to funds, and diversification of funding sources. Important factors in ensuring liquidity are competitive pricing, proactive management of the Bank's core deposits and the maintenance of customer confidence.

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 business-as-usual and stress scenarios. Cash flow mismatch limits are established to limit the Bank's liquidity exposure. The Bank also employs liquidity early warning indicators and trigger points to signal possible contingency situations.

With regard to the regulatory requirements on LCR which are effective from 1 June 2015, the Bank's ratios were above 100 per cent for both the All Currency LCR and the Ringgit Malaysia LCR as at 31 December 2015.

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 123 to 126 – 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 2015.

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	1,413,470	1,411,857
Income tax expense	(346,795)	(344,311)
Profit for the year	1,066,675	1,067,546

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 2014 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014 as reported in the directors' report for that year, a final single-tier dividend of 96.4 percent, on 470,000,000 ordinary shares was paid on 27 April 2015	453,080

At the forthcoming Annual General Meeting, a final single-tier dividend of 79.5 percent in respect of the financial year ended 31 December 2015 on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM373,650,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders and Bank Negara Malaysia, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2016.

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
Dato' Jeffrey Ng Tiong Lip
Fatimah Binti Merican
Wong Kim Choong
Robert Kwan Koh Wah (appointed on 4 January 2016)
Francis Lee Chin Yong (resigned on 31 January 2016)
Datuk Abu Huraira Bin Abu Yazid (retired on 3 February 2016)

Directors' Benefits

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

The Remuneration Committee of UOBL determined the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting. Since 2014, no SAR has been granted as an instrument for share-based compensation. Grants from prior years continue to vest per schedule.

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 Share 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.

Grants made in 2012 to 2013 are subject to the achievement of predetermined return on equity (ROE) targets as shown below, half of the grants will vest after two years, and the remainder after three years from the dates of grant.

For grants made in 2014 onwards, thirty percent will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy percent will vest after three years, subject to the achievement of the three-year ROE targets.

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				
		1.1.2015	Acquired	Disposed	Forfeited	31.12.2015
Ultimate holding company: UOBL						
Wee Cho Yaw	- Direct	19,301,917	620,000	-	-	19,921,917
	- Indirect	270,070,084	-	-	-	270,070,084
Wee Ee Cheong	- Direct	3,125,918	-	-	-	3,125,918
	- Indirect	161,463,970	-	-	-	161,463,970
Wong Kim Choong	- Indirect	57,808	9,625	-	-	67,433
Francis Lee Chin Yong	- Direct	3,000	31,218	-	-	34,218
	- Indirect	26,225	43,537	26,225	-	43,537
Related company: United Overseas Insurance Limited						
Wee Cho Yaw	- Direct	38,100	-	-	-	38,100

		Number of options over ordinary shares of S$1 each under UOB Restricted Share Plan				
		1.1.2015	Granted	Vested	Forfeited	31.12.2015
Ultimate holding company: UOBL						
Francis Lee Chin Yong	- Direct	67,400	31,050	22,450	-	76,000
Wong Kim Choong	- Direct	28,875	14,200	9,625	-	33,450

Directors' Interests (Continued)

		Number of options over ordinary shares of S$1 each under UOB Share Appreciation Rights Plan				
		1.1.2015	Granted	Vested	Forfeited	31.12.2015
Ultimate holding company: UOBL						
Francis Lee Chin Yong	- Direct	143,525	-	94,800	-	48,725
Wong Kim Choong	- Direct	61,550	-	40,650	-	20,900

		Number of options over ordinary shares of S$1 each vested under UOB Share Appreciation Rights Plan				
		1.1.2015	Vested	Exercised/ lapsed	Forfeited	31.12.2015
Ultimate holding company: UOBL						
Francis Lee Chin Yong	- Direct	104,550	94,800	58,475	-	140,875
Wong Kim Choong	- Direct	89,000	40,650	-	-	129,650

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, a company incorporated in Malaysia, and United Overseas Bank Limited, a bank incorporated in Singapore, respectively.

Strategy and Performance for the Financial Year Ended 31 December 2015

Macroeconomic conditions in 2015 were challenging for the banking industry due to heightened global volatility and weaker consumer sentiment. UOB (Malaysia)'s strategy to deliver balanced and sustainable growth for the long term held us in good stead in this environment, and we achieved solid financial performance while maintaining our strong capital position and asset quality.

We remain positive about the long-term growth potential of Malaysia and the ASEAN region. In 2015, we continued to strengthen our product solutions and advisory capabilities to seize opportunities resulting from rising intra-regional trade and higher consumer incomes.

In Wholesale Banking, our strategy focused on facilitating cross-border solutions, strengthening advisory capabilities, and building deeper segment coverage as we continued to support Malaysian enterprises in their regional expansion. We also served an increasing number of overseas companies and financial institutions as they invested in Malaysia. Greater collaboration between our client coverage and product specialist teams, both within Malaysia and across the Group, enabled us to offer a more comprehensive suite of cross-border solutions and facilitate intra-regional trade flows. For instance, through our well-established and integrated regional network, our Corporate and Commercial Banking functions were able to drive significant intra-Asian banking referrals and investments into Malaysia. We continued to fund projects related to the Economic Transformation Programme and Public-Private Partnership as well as capitalise on our extensive network and deep customer relationships to provide cash management, trade services, capital market and treasury solutions to our customers.

Our Transaction Banking business in particular, registered another successful year with solid growth on the back of increased demand for cash and trade products including payments, collections, liquidity management and working capital trade financing. We received international recognition for our efforts as we were voted the overall Best Foreign Cash Management Bank in Malaysia for the third year running in the Asiamoney Cash Management Poll.

In Global Markets, greater currency and interest rate volatility fuelled demand for financial hedging solutions.

Strategy and Performance for the Financial Year Ended 31 December 2015 (Continued)

Such solutions were instrumental in supporting customers with regional businesses managing their foreign currency exposure. Demand was largely driven by customers operating small and medium-sized enterprises with business operations in China, Thailand, Indonesia, and more widely across Southeast Asia, as well as in Europe. The Global Markets team was also able to generate good returns from increased market-making and trading opportunities.

Just as we supported our corporate and commercial banking clients, we continued to invest in our retail banking capabilities to meet the needs of individuals and small business owners. In Business Banking, our larger customer base and strong collaboration with Global Markets and Transaction Banking fuelled growth in 2015. Revenue growth was driven by higher demand for foreign exchange and current account solutions. We further deepened customer relationships by placing more business banking relationship managers across our national branch network.

Personal Financial Services was also a strong contributor to net earnings. Our mortgage loan business performed well while our credit card growth continued to surpass the industry average. We launched the UOB PRVI Miles credit card in 2015, designed to offer customers greater benefits when they travel across the region. It was UOB (Malaysia's) fastest growing credit card in 2015. We continued to sharpen our focus on our wealth management business through our commitment to deliver sound financial advisory capabilities and tailored financial solutions. Increased demand for financial advisory services and tailored financial solutions including investment and treasury solutions as well as insurance products, resulted in strong revenue growth for our retail banking business.

At UOB (Malaysia), our customers are at the heart of all we do and are the reason we continue to invest so much in improving our service quality and delivery. Our pursuit of excellent customer service was recognised at the inaugural Customer Experience in Financial Services Asia Awards where we were the recipient of the Best Customer Experience Business Model award for our efforts in improving our customer experience and implementing new customer loyalty initiatives.

Outlook

Prospects for global growth remain tepid. We expect this period of slower growth to continue throughout 2016 with risks persisting in the form of diverging monetary policy, continued currency volatility and concerns over China's outlook.

Malaysia's Gross Domestic Product is projected to grow moderately in 2016 driven by government and private sector investments. Meanwhile, bearish commodity prices and currency volatility will continue to pose challenges to the economy. We anticipate weaker domestic demand but expect relatively stable labour market conditions to sustain private consumption growth, albeit at a slower rate in light of rising costs, weaker sentiment and negative wealth effects. Over the longer term, Malaysia's economy continues to look attractive given its solid fundamentals and ongoing policy reforms to stimulate economic growth by improving labour productivity.

In 2016, we will continue to take a prudent and disciplined approach and build on our fundamentals and our capabilities to meet our customers' evolving needs. Strengthening our risk management and compliance practices remain a priority in maintaining our strong asset quality. We will focus on the core fundamentals of banking – ensuring balance sheet strength and building capabilities for the future. This includes developing our technology infrastructure, including our online banking capabilities and social platforms to create a better customer experience.

The Board of Directors remains optimistic that we are well positioned to capture emerging business opportunities and to deliver a strong performance when the economy regains momentum.

Rating by External Rating Agencies

Rating Agency Malaysia (RAM) reaffirmed the Bank's long term Financial Institution Rating (FIR) at AAA/Stable and short term rating at P1. Concurrently, RAM also reaffirmed the issue rating of the Bank's RM1 billion Subordinated Bonds (2015/2025) at AA1/Stable.

A financial institution rated AAA has a superior capacity to meet its financial obligations, this is the highest long-term FIR assigned by RAM. A financial institution rated P1 has a strong capacity to meet its short-term financial obligations, this is the highest short-term FIR assigned by RAM. An issue rated AA has high safety for payment of financial obligations. The issuer is resilient against adverse changes in circumstances, economic conditions and/or operating environments. The subscript 1 indicates that the 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.

Other Statutory Information (Continued)

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

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

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

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

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

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and the Bank.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Bank for the financial year in which this report is made.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 March 2016.

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 62 to 135 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 2015 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 31 March 2016.

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 62 to 135 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 31 March 2016 **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 2015 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 62 to 135.

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 2015 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
31 March 2016

Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Assets					
Cash and short-term funds	3	**7,735,351**	10,833,347	**7,735,351**	10,833,347
Securities purchased under resale agreements	4	**4,984,364**	499,826	**4,984,364**	499,826
Deposits and placements with financial institutions	5	**13,082**	130,516	**13,082**	130,516
Financial assets at fair value through profit or loss (FVTPL)	6	**1,834,666**	2,392,138	**1,834,666**	2,392,138
Available-for-sale (AFS) securities	7	**5,228,465**	9,250,843	**5,228,465**	9,250,843
Loans and advances	8	**70,872,652**	66,926,375	**71,058,275**	67,1 15,580
Derivative financial assets	21	**1,030,632**	905,946	**1,030,632**	905,946
Other assets	9	**927,195**	639,349	**931,563**	640,523
Statutory deposits with Bank Negara Malaysia	10	**2,212,280**	1,960,350	**2,212,280**	1,960,350
Investment in subsidiaries	11	**-**	-	**50**	50
Investment in an associate	12	**11,313**	96,485	**13,522**	99,973
Property, plant and equipment	13	**503,202**	427,703	**208,910**	180,789
Tax recoverable		**168**	16,366	**-**	16,347
Deferred tax assets	14	**25,086**	-	**40,903**	-
Total assets		**95,378,456**	94,079,244	**95,292,063**	94,026,228
Liabilities and equity					
Deposits from customers	15	**76,073,106**	73,056,720	**76,078,163**	73,058,978
Deposits and placements of banks and other financial institutions	16	**6,837,537**	8,825,269	**6,837,567**	8,825,299
Bills and acceptances payables		**305,544**	1,732,417	**305,544**	1,732,417
Derivative financial liabilities	21	**1,033,434**	619,755	**1,033,434**	619,755
Other liabilities	17	**1,711,546**	1,711,587	**1,709,288**	1,709,929
Tax payable		**140,984**	-	**140,960**	-
Deferred tax liabilities	14	**-**	9,679	**-**	5,209
Subordinated bonds	18	**1,499,727**	999,884	**1,499,727**	999,884
Total liabilities		**87,601,878**	86,955,311	**87,604,683**	86,951,471
Equity attributable to equity holders of the Bank					
Share capital	19	**470,000**	470,000	**470,000**	470,000
Reserves	20	**7,306,578**	6,653,933	**7,217,380**	6,604,757
Total equity		**7,776,578**	7,123,933	**7,687,380**	7,074,757
Total liabilities and equity		**95,378,456**	94,079,244	**95,292,063**	94,026,228
Commitments and contingencies	34	**86,992,348**	76,294,367	**86,992,348**	76,294,367

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

Income Statements

For the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Operating revenue	23	5,090,343	4,756,683	5,098,988	5,117,588
Interest income	24	4,321,649	4,042,500	4,330,450	4,050,428
Interest expense	25	(2,423,133)	(2,238,548)	(2,423,234)	(2,238,640)
Net interest income		1,898,516	1,803,952	1,907,216	1,811,788
Other operating income	26	784,834	726,539	784,677	1,079,515
Operating income		2,683,350	2,530,491	2,691,893	2,891,303
Other operating expenses	27	(1,042,966)	(962,335)	(1,052,416)	(971,726)
Operating profit before allowance for impairment on loans and advances, impairment losses and provision for commitments and contingencies		1,640,384	1,568,156	1,639,477	1,919,577
Allowance for impairment on loans and advances	29	(204,746)	(256,414)	(204,746)	(256,414)
Impairment loss on:					
- Property, plant and equipment		(573)	-	-	-
- AFS securities		-	(9,725)	-	(9,725)
- An associate		-	(19,755)	-	(19,755)
Net provision for commitments and contingencies	17 (a)	(22,874)	(710)	(22,874)	(710)
		1,412,191	1,281,552	1,411,857	1,632,973
Share of net profit of an associate		1,279	114,857	-	-
Profit before taxation		1,413,470	1,396,409	1,411,857	1,632,973
Income tax expense	30	(346,795)	(341,328)	(344,311)	(338,689)
Profit for the year attributable to equity holders of the Bank		1,066,675	1,055,081	1,067,546	1,294,284
Basic earnings per share (sen)	31	227.0	224.5		
Dividends per share (sen)	32	79.5	96.4		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2015

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the year	1,066,675	1,055,081	1,067,546	1,294,284
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Net (loss)/gain on revaluation of AFS securities	(2,458)	91,574	(2,458)	84,672
Income tax effect	615	(21,168)	615	(21,168)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(1,843)	70,406	(1,843)	63,504
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Revaluation of land and buildings	49,917	-	-	-
Share of other comprehensive income of an associate	-	73,811	-	-
Tax effect on the movement of revalued lands and buildings	(9,024)	282	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	40,893	74,093	-	-
Other comprehensive income/(loss) for the year, net of tax	39,050	144,499	(1,843)	63,504
Total comprehensive income for the year attributable to equity holders of the Bank	1,105,725	1,199,580	1,065,703	1,357,788

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

Statements of Changes in Equity

For the financial year ended 31 December 2015

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	
2015								
Balance as at 1 January 2015		470,000	322,555	470,000	104,297	65,132	5,691,949	7,123,933
Profit for the year		-	-	-	-	-	1,066,675	1,066,675
Other comprehensive loss		-	-	-	40,893	(1,843)	-	39,050
Total comprehensive income		-	-	-	40,893	(1,843)	1,066,675	1,105,725
Transactions with owners:								
Dividends paid:								
- final dividend for the financial year ended 31 December 2014	32	-	-	-	-	-	(453,080)	(453,080)
Balance as at 31 December 2015		470,000	322,555	470,000	145,190	63,289	6,305,544	7,776,578

Group	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserve RM'000	Net unrealised (deficit)/ 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

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

Statements of Changes in Equity

For the financial year ended 31 December 2015 (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	
2015							
Balance as at 1 January 2015		470,000	322,555	470,000	58,230	5,753,972	7,074,757
Profit for the year		-	-	-	-	1,067,546	1,067,546
Other comprehensive loss		-	-	-	(1,843)	-	(1,843)
Total comprehensive income		-	-	-	(1,843)	1,067,546	1,065,703
Transactions with owners:							
Dividends paid:							
- final dividend for the financial year ended 31 December 2014	32	-	-	-	-	(453,080)	(453,080)
Balance as at 31 December 2015		470,000	322,555	470,000	56,387	6,368,438	7,687,380

Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Net unrealised (deficit)/ 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

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

Statements of Cash Flows

For the financial year ended 31 December 2015

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit before taxation	1,413,470	1,396,409	1,411,857	1,632,973
Adjustments for:				
Share of net profit of an associate	(1,279)	(114,857)	-	-
Loss on disposal of property, plant and equipment	119	133	119	133
Allowance for impairment on an associate	-	19,755	-	19,755
Depreciation of property, plant and equipment	46,893	40,647	40,399	34,510
Allowance for impairment on loans and advances	204,746	256,414	204,746	256,414
Allowance for impairment on AFS securities	-	9,725	-	9,725
Net unrealised (gain)/loss on financial assets at FVTPL	(1,397)	4,575	(1,397)	4,575
Net provision for commitments and contingencies	22,874	710	22,874	710
Dividend income	(1,028)	(962)	(1,028)	(354,041)
Interest income from AFS securities	(239,800)	(221,031)	(239,800)	(221,031)
Gain from sale/recovery of AFS securities	(41,444)	(2,184)	(41,444)	(2,184)
Unrealised foreign exchange loss/(gain)	168,860	(211,898)	168,860	(211,898)
Gain from sale of financial assets at FVTPL	(4,497)	(743)	(4,497)	(743)
Loss/(gain) from trading derivatives	3,851	(6,290)	3,851	(6,290)
Unrealised loss/(gain) from trading derivatives	9,022	(15,197)	9,022	(15,197)
Gain from sale of precious metals	(2,733)	(1,842)	(2,733)	(1,842)
Unrealised loss on fair value hedge	273	-	273	-
Impairment loss on property, plant and equipment	573	-	-	-
Amortisation of subordinated bonds	116	320	116	320
Amortisation of premium less accretion of discount from:				
- financial assets at FVTPL	627	1,033	627	1,033
- AFS securities	11,928	21,600	11,928	21,600
Operating profit before working capital changes	1,591,174	1,176,317	1,583,773	1,168,522
(Increase)/decrease in operating assets:				
Loans and advances	(4,151,023)	(5,874,511)	(4,147,441)	(5,892,668)
Financial assets at FVTPL	562,739	(687,469)	562,739	(687,469)
Securities purchased under resale agreements	(4,484,538)	1,646,404	(4,484,538)	1,646,404
Statutory deposits with Bank Negara Malaysia	(251,930)	(34,850)	(251,930)	(34,850)
Derivative financial assets	(124,686)	(558,046)	(124,686)	(558,046)
Other assets	(285,113)	(72,904)	(288,307)	(75,524)
	(8,734,551)	(5,581,376)	(8,734,163)	(5,602,153)

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

Statements of Cash Flows
For the financial year ended 31 December 2015 (Continued)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities (Continued)				
Increase/(decrease) in operating liabilities:				
Deposits from customers	3,016,386	3,769,246	3,019,185	3,768,773
Deposits and placements of banks and other financial institutions	(1,987,732)	(1,098,012)	(1,987,732)	(1,098,399)
Bills and acceptances payables	(1,426,873)	(2,260)	(1,426,873)	(2,260)
Derivative financial liabilities	400,806	363,580	400,806	363,580
Other liabilities	(194,779)	416,470	(195,379)	416,401
	(192,192)	3,449,024	(189,993)	3,448,095
Cash used in operations	(7,335,569)	(956,035)	(7,340,383)	(985,536)
Tax paid	(232,787)	(181,983)	(232,501)	(181,958)
Net cash used in operating activities	(7,568,356)	(1,138,018)	(7,572,884)	(1,167,494)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	95	43,754	95	43,754
Purchase of property, plant and equipment	(73,262)	(113,035)	(68,734)	(89,030)
Interest income from AFS securities	239,800	221,031	239,800	221,031
Net sale/(purchase) of AFS securities	4,051,894	(5,610,574)	4,051,894	(5,958,182)
Capital repayment from an associate	86,451	-	86,451	-
Dividend received	1,028	962	1,028	354,041
Net cash generated from/(used in) financing activities	4,306,006	(5,457,862)	4,310,534	(5,428,386)
Cash flows from financing activities				
Net proceeds from issuance of subordinated bonds	500,000	-	500,000	-
Dividends paid	(453,080)	(347,195)	(453,080)	(347,195)
Net cash generated from/(used in) financing activities	46,920	(347,195)	46,920	(347,195)
Net decrease in cash and cash equivalents	(3,215,430)	(6,943,075)	(3,215,430)	(6,943,075)
Cash and cash equivalents at beginning of the year	10,963,863	17,906,938	10,963,863	17,906,938
Cash and cash equivalents at end of the year	7,748,433	10,963,863	7,748,433	10,963,863
Analysis of cash and cash equivalents				
Cash and short-term funds	7,735,351	10,833,347	7,735,351	10,833,347
Deposits and placements with financial institutions	13,082	130,516	13,082	130,516
	7,748,433	10,963,863	7,748,433	10,963,863

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

Notes to the Financial Statements

1. Corporate Information

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

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

The principal activities of the Bank 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 31 March 2016.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 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 and amended Malaysian Financial Reporting Standards (MFRSs) 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 and amendments to MFRSs 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

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

Effective for financial periods beginning on or after 1 January 2016

Annual Improvements to MFRSs 2012–2014 Cycle
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 2018

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15: Revenue from Contracts with Customers

Effective for financial periods to be determined by the MASB

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

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial periods. 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.

2. Significant Accounting Policies (Continued)

2.3 Standards Issued But Not Yet Effective (Continued)

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.

MFRS 9 Financial Instruments: Hedge Accounting

The requirements per general hedge accounting have been simplified for hedge effectiveness testing and may result in more designation of hedged items for accounting purposes.

The Group and the Bank are in the process of assessing the financial implication for adopting the MFRS 9.

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.

(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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(a) Subsidiaries and Basis of Consolidation (Continued)

(ii) Basis of Consolidation (Continued)

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. 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(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) Securities Purchased Under Resale 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 at amortised cost 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.

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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(g) Financial Assets and Financial Liabilities (Continued)

(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 management's experience and judgement and taking into account country and portfolio risks.

For the purpose of evaluating collective 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.

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)

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 the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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

Freehold land, leasehold land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(j) Property, Plant and Equipment, and Depreciation (Continued)

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 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(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).

(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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(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'.

(w) Hedge Accounting

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group and the Bank formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

(i) Fair Value Hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate (EIR) method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

The Group and the Bank has an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its subordinated bonds as disclosed in Note 18 (c).

(ii) Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (OCI) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(iii) Hedges of A Net Investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(w) Hedge Accounting (Continued)

(iii) Hedges of A Net Investment (Continued)

hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

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 are 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 22.

3. Cash and Short-Term Funds

	Group and Bank	
	2015 RM'000	2014 RM'000
Cash and balances with banks and other financial institutions	639,951	626,082
Money at call and deposit placements maturing within one month	7,095,400	10,207,265
	7,735,351	10,833,347

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	
	2015 RM'000	2014 RM'000
Assets received for Reverse Repo transactions, at amortised cost	4,984,364	499,826

5. Deposits and Placements with Financial Institutions

	Group and Bank	
	2015 RM'000	2014 RM'000
Financial institutions	13,082	130,516

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

	Group and Bank	
	2015 RM'000	2014 RM'000
Held-for-trading securities		
At fair value:		
Malaysian Government treasury bills	-	197,589
Malaysian Government securities	313,261	149,418
Bank Negara Malaysia bills	-	1,268,687
Negotiable instruments of deposits	1,190,049	-
Bankers' acceptances and Islamic accepted bills	-	165,960
Total held-for-trading securities	1,503,310	1,781,654
Designated as FVTPL, companies incorporated in Malaysia but denominated in United States Dollar		
Private debt securities	331,356	610,484
Total financial assets at FVTPL	1,834,666	2,392,138

7. Available-For-Sale (AFS) Securities

	Group and Bank	
	2015 RM'000	2014 RM'000
At fair value:		
Money market instruments:		
Malaysian Government treasury bills	158,046	434,475
Malaysian Government securities	3,368,246	3,096,267
Bank Negara Malaysia bills	14,256	2,710,141
Negotiable instruments of deposits	925,079	1,775,213
Cagamas bonds	529,118	843,612
	4,994,745	8,859,708
Private debt securities of companies incorporated:		
In Malaysia:		
Quoted corporate bonds	194,872	317,490
Impairment loss	(39,960)	(39,960)
	154,912	277,530
Quoted securities:		
Shares of corporations outside Malaysia	-	22,145
Shares of corporations in Malaysia	3,737	6,136
	3,737	28,281
Unquoted securities:		
Shares	74,795	85,048
	74,795	85,048
At cost:		
Unquoted securities:		
Private debt securities	276	276
	276	276
Total AFS securities	5,228,465	9,250,843
Movements in allowance for impairment on private debt security is as follows:		
Balance as at 1 January	(39,960)	(30,235)
Allowance made during the financial year	-	(9,725)
Balance as at 31 December	(39,960)	(39,960)

8. Loans and Advances

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Overdrafts	3,020,017	2,876,874	3,020,017	2,876,874
- Term loans and revolving credits				
- Housing loans	25,588,836	24,420,580	25,588,836	24,420,580
- Syndicated term loans	726,714	468,363	726,714	468,363
Other term loans*	32,701,629	30,531,588	32,887,252	30,720,793
Credit cards receivable	2,304,693	2,177,562	2,304,693	2,177,562
Bills receivable	1,121,872	1,184,560	1,121,872	1,184,560
Trust receipts	1,939,287	1,663,712	1,939,287	1,663,712
Claims on customers under acceptance credits	4,695,198	4,736,318	4,695,198	4,736,318
Staff loans	48,637	52,130	48,637	52,130
Others	11,694	5,249	11,694	5,249
	72,158,577	68,116,936	72,344,200	68,306,141
Unearned interest	(82,573)	(77,643)	(82,573)	(77,643)
Gross loans and advances	72,076,004	68,039,293	72,261,627	68,228,498
Allowances for losses on loans and advances				
- Individual impairment	(183,854)	(203,200)	(183,854)	(203,200)
- Collective impairment	(1,019,498)	(909,718)	(1,019,498)	(909,718)
Net loans and advances	70,872,652	66,926,375	71,058,275	67,115,580

* Other term loans include the following:

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Loans to subsidiaries:				
- UOB Properties Bhd	-	-	145,173	148,828
- UOB Properties (KL) Bhd	-	-	40,450	40,377
	-	-	185,623	189,205
Loan to a related company:				
- UOB Centre of Excellence (M) Sdn Bhd	5,406	6,406	5,406	6,406

(i) Gross loans and advances by maturity structure:

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Maturing within one year	18,698,162	17,121,464	18,698,162	17,121,464
One year to three years	4,280,129	2,943,247	4,465,752	3,132,452
Three years to five years	4,258,005	4,629,488	4,258,005	4,629,488
Over five years	44,839,708	43,345,094	44,839,708	43,345,094
	72,076,004	68,039,293	72,261,627	68,228,498

8. Loans and Advances (Continued)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(ii) Gross loans and advances by type of customer:				
Domestic banking institutions	21,180	-	21,180	-
Domestic non-banking financial institutions:				
- Stockbroking companies	10,029	19	10,029	19
- Others	126,148	198,139	126,148	198,139
Domestic business enterprises:				
- Small and medium enterprises	15,262,243	14,677,009	15,262,243	14,677,009
- Others	15,151,497	13,892,974	15,337,120	14,082,179
Individuals	34,743,663	32,670,387	34,743,663	32,670,387
Foreign entities	6,761,244	6,600,765	6,761,244	6,600,765
	72,076,004	68,039,293	72,261,627	68,228,498
(iii) Gross loans and advances by interest rate sensitivity:				
Fixed rate:				
- Housing loans	33,562	36,255	33,562	36,255
- Other fixed rate loans	3,850,170	3,388,421	3,850,170	3,388,421
Variable rate:				
- Base lending rate-plus	63,907,433	61,161,465	63,907,433	61,161,465
- Cost-plus	4,284,839	3,453,152	4,470,462	3,642,357
	72,076,004	68,039,293	72,261,627	68,228,498
(iv) Gross loans and advances by economic sector:				
Agriculture, hunting, forestry and fishing	1,193,721	990,014	1,193,721	990,014
Mining and quarrying	986,162	1,106,982	986,162	1,106,982
Manufacturing	6,290,410	5,803,480	6,290,410	5,803,480
Electricity, gas and water	65,959	27,273	65,959	27,273
Construction	7,592,538	6,273,493	7,592,538	6,273,493
Wholesale, retail trade, restaurants and hotels	9,083,236	8,413,457	9,083,236	8,413,457
Transport, storage and communication	1,018,265	1,015,091	1,018,265	1,015,091
Finance, insurance and business services	2,190,185	2,259,595	2,190,185	2,259,595
Real estate	3,631,753	4,381,508	3,817,376	4,570,713
Community, social and personal services	147,596	225,289	147,596	225,289
Households:				
- purchase of residential properties	26,459,480	25,205,007	26,459,480	25,205,007
- purchase of non residential properties	8,474,411	7,487,772	8,474,411	7,487,772
- others	4,942,288	4,850,332	4,942,288	4,850,332
	72,076,004	68,039,293	72,261,627	68,228,498

8. Loans and Advances (Continued)

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
(v) Movements in impaired loans and advances are as follows:		
At beginning of the financial year	1,069,069	1,073,975
Classified as impaired during the financial year	854,466	707,098
Amounts recovered	(318,031)	(360,100)
Reclassified as non-impaired	(245,202)	(168,008)
Amounts written off	(144,121)	(183,896)
At end of the financial year	1,216,181	1,069,069
Individual impairment	(183,854)	(203,200)
Net impaired loans and advances	1,032,327	865,869
Ratio of net impaired loans and advances to net loans and advances	1.5%	1.3%
(vi) Movements in allowance for losses on loans and advances are as follows:		
Collective impairment		
Balance as at 1 January	909,718	727,504
Allowance made during the financial year	109,780	182,214
Balance as at 31 December	1,019,498	909,718
Individual impairment		
Balance as at 1 January	203,200	274,857
Allowance made during the financial year	273,008	217,620
Amounts written back in respect of recoveries	(139,523)	(110,584)
Amounts written off	(147,294)	(180,527)
Interest recognised on impaired loans	(2,492)	4,254
Other adjustment/transferred to debt restructuring	(3,045)	(2,420)
Balance as at 31 December	183,854	203,200

8. Loans and Advances (Continued)

	Group and Bank	
	2015 RM'000	2014 RM'000
(vii) Impaired loans and advances analysed by economic sectors are as follows:		
Mining and quarrying	360	-
Manufacturing	204,103	240,290
Construction	200,318	214,039
Wholesale, retail trade, restaurants and hotels	140,881	123,950
Transport, storage and communication	100,232	4,245
Finance, insurance and business services	17,355	15,447
Real estate	48,921	15,611
Community, social and personal services	862	960
Households:		
- purchase of residential properties	370,721	341,406
- purchase of non residential properties	49,585	43,532
- others	82,843	69,589
	1,216,181	1,069,069
(viii) Impaired loans and advances analysed by geographical distribution are as follows:		
In Malaysia	1,216,181	1,069,069

9. Other Assets

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables, deposits and prepayments (Note (a))	521,391	124,411	525,759	125,585
Accrued interest receivable	104,660	96,610	104,660	96,610
Precious metal accounts (Note (b))	301,144	418,328	301,144	418,328
	927,195	639,349	931,563	640,523

(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 2015, precious metal accounts comprise the following:

(i) In previous financial year, precious metals on-loan to customers of the Bank and borrowed from the ultimate holding company on a back-to-back basis. Under the back-to-back arrangement, the net balance due from customers of the Bank were stated at the gross amounts loaned amounting to RM102,544,000 net of cash collateral received from the customers of RM87,505,000. The amount due to ultimate holding company for precious metals borrowed was classified as other payables and accruals in other liabilities (Note 17);

For the current financial year, the precious metals on-loan to customers of the Bank are directly sought from the gold market amounting to RM95,239,000. The net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM42,483,000 net of cash collateral received from the customers of RM27,396,000.

(ii) Precious metals lent to the ultimate holding company and another financial institution amounting to RM nil (2014: RM136,000,000) and RM45,726,000 (2014: RM211,522,000), respectively.

(iii) Precious metal accounts due from financial institutions amounting to RM145,092,000 (2014: RM55,767,000).

9. Other Assets (Continued)

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

10. 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	
	2015 RM'000	2014 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
		2015	2014	
	RM	%	%	
UOB Smart Solutions Sdn Bhd (in Members' Voluntary Winding up)	10,000	100	100	Outsourcing services
UOB Properties (KL) Bhd* (held directly by UOB Properties Bhd)	2	100	100	Property investment holding and property management company
UOB Properties Bhd	7	100	100	Property holding company
UOBM Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOBM Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
United Overseas Nominees (Tempatan) Sdn Bhd	20	100	100	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	Nominee services
UOB 2006 Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services

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

All of the subsidiaries are audited by Ernst & Young.

12. Investment in An Associate

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares, at cost	119,728	119,728	119,728	119,728
Share of post-acquisition deficit	(2,209)	(3,488)	-	-
Capital repayment	(86,451)	-	(86,451)	-
Impairment loss	(19,755)	(19,755)	(19,755)	(19,755)
	11,313	96,485	13,522	99,973

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

	Group's effective interest		Principal activities	Accounting model applied
	2015 %	2014 %		
Uni.Asia Capital Sdn Bhd (Uni.Asia Capital)	49	49	Investment holding company	Equity

The financial statements of Uni.Asia Capital 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:

	2015 RM'000	2014 RM'000
Assets and liabilities		
Current assets	24,475	200,514
Total assets	24,475	200,514
Current liabilities	1,304	3,508
Total liabilities	1,304	3,508
Results		
Revenue	3,447	173,924
Profit before taxation	3,461	257,941
Profit for the year	2,612	258,947

At 31 December 2015, the amount of goodwill included within the Group's carrying amount of investment in an associate is RM19,755,000 (2014: RM19,755,000).

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
2015								
Cost or valuation								
At 1 January								
At cost	-	-	-	195,186	344,650	7,396	66,544	613,776
At valuation	47,932	62,374	165,158	-	-	-	-	275,464
	47,932	62,374	165,158	195,186	344,650	7,396	66,544	889,240
Additions	-	-	-	6,743	42,185	98	24,236	73,262
Revaluation surplus	12,450	18,694	18,773	-	-	-	-	49,917
Disposals	-	-	-	(712)	(6,436)	-	-	(7,148)
At 31 December	60,382	81,068	183,931	201,217	380,399	7,494	90,780	1,005,271
Representing:								
At cost	-	-	-	201,217	380,399	7,494	90,780	679,890
At valuation	60,382	81,068	183,931	-	-	-	-	325,381
At 31 December	60,382	81,068	183,931	201,217	380,399	7,494	90,780	1,005,271
Accumulated depreciation								
At 1 January	-	12,732	71,145	127,192	245,737	4,514	-	461,320
Depreciation charge	-	883	5,447	11,538	27,837	1,188	-	46,893
Disposals	-	-	-	(516)	(6,418)	-	-	(6,934)
At 31 December	-	13,615	76,592	138,214	267,156	5,702	-	501,279
Impairment loss								
At 1 January	-	-	217	-	-	-	-	217
Additions	-	-	652	-	-	-	-	652
Writeback	-	-	(79)	-	-	-	-	(79)
At 31 December	-	-	790	-	-	-	-	790
Net carrying amount								
At cost	-	-	-	63,003	113,243	1,792	90,780	268,818
At valuation	60,382	67,453	106,549	-	-	-	-	234,384
At 31 December	60,382	67,453	106,549	63,003	113,243	1,792	90,780	503,202

13. Property, Plant and Equipment (Continued)

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								
At cost	-	-	-	170,985	285,590	7,392	86,690	550,657
At valuation	47,932	62,374	165,158	-	-	-	-	275,464
	47,932	62,374	165,158	170,985	285,590	7,392	86,690	826,121
Additions	-	-	-	25,022	64,190	275	23,548	113,035
Disposals	-	-	-	(821)	(5,130)	(271)	(43,694)	(49,916)
At 31 December	47,932	62,374	165,158	195,186	344,650	7,396	66,544	889,240
Representing:								
At cost	-	-	-	195,186	344,650	7,396	66,544	613,776
At valuation	47,932	62,374	165,158	-	-	-	-	275,464
At 31 December	47,932	62,374	165,158	195,186	344,650	7,396	66,544	889,240
Accumulated depreciation								
At 1 January	-	11,867	65,921	118,112	227,439	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	127,192	245,737	4,514	-	461,320
Impairment loss								
At 1 January/31 December	-	-	217	-	-	-	-	217
At cost	-	-	-	67,994	98,913	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	67,994	98,913	2,882	66,544	427,703

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
2015								
Cost								
At 1 January	-	-	-	194,619	344,624	7,396	11,537	558,176
Additions	-	-	-	4,452	42,184	98	22,000	68,734
Disposals	-	-	-	(712)	(6,436)	-	-	(7,148)
At 31 December	-	-	-	198,359	380,372	7,494	33,537	619,762
Accumulated depreciation								
At 1 January	-	-	-	127,144	245,729	4,514	-	377,387
Depreciation charge	-	-	-	11,379	27,832	1,188	-	40,399
Disposals	-	-	-	(516)	(6,418)	-	-	(6,934)
At 31 December	-	-	-	138,007	267,143	5,702	-	410,852
Net carrying amount								
At 31 December	-	-	-	60,352	113,229	1,792	33,537	208,910
2014								
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								
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

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	
	2015 RM'000	2014 RM'000
Freehold land	18,508	18,508
Freehold building	10,119	10,498
Long leasehold land and building	24,902	25,903
	53,529	54,909

14. Deferred Tax Assets/(Liabilities)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets/(liabilities)				
At 1 January	(9,679)	212,053	(5,209)	214,224
Charged to the income statements (Note 30)	43,174	(200,846)	45,497	(198,265)
Recognised in other comprehensive income	(8,409)	(20,886)	615	(21,168)
At 31 December	25,086	(9,679)	40,903	(5,209)
An analysis of the Group's and the Bank's deferred tax position are as follows:				
- Prior to offsetting				
- Deferred tax assets	82,975	35,442	82,697	32,969
- Deferred tax liabilities	(57,889)	(45,121)	(41,794)	(38,178)
	25,086	(9,679)	40,903	(5,209)
- After appropriate offsetting				
- Deferred tax assets	25,086	-	40,903	-
- Deferred tax liabilities	-	(9,679)	-	(5,209)

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

Deferred tax assets

	Group				Bank			
	Collective impairment for losses on loans and advances RM'000	Net unrealised reserves on AFS securities RM'000	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 2014	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
Charged to income statements	-	-	47,533	47,533	-	-	49,728	49,728
At 31 December 2015	-	-	82,975	82,975	-	-	82,697	82,697

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 2014	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
Charged to income statements	4,359	-	4,359	4,231	-	4,231
Recognised in other comprehensive income	9,024	(615)	8,409	-	(615)	(615)
At 31 December 2015	39,093	18,796	57,889	22,998	18,796	41,794

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	
	2015 RM'000	2014 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 is 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Demand deposits #	19,486,339	18,181,422	19,490,243	18,182,559
Savings deposits	1,320,941	1,239,583	1,320,941	1,239,583
Fixed deposits #	46,918,827	44,735,404	46,919,980	44,736,525
Negotiable instruments of deposits	331	16,164	331	16,164
Others	8,346,668	8,884,147	8,346,668	8,884,147
	76,073,106	73,056,720	76,078,163	73,058,978

15. Deposits From Customers (Continued)

Demand deposits and fixed deposits include the following:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Demand deposit from subsidiaries:				
- UOB Properties Bhd	-	-	2,637	5
- UOB Properties (KL) Bhd	-	-	1,232	1,132
- UOB Smart Solutions Sdn Bhd	-	-	35	-
	-	-	3,904	1,137
Demand deposit from related companies:				
- UOB Centre of Excellence (M) Sdn Bhd	6,990	1,207	6,990	1,207
- Chung Khiaw Realty Limited	1,803	1,387	1,803	1,387
	8,793	2,594	8,793	2,594
Fixed deposit from a subsidiary:				
- UOB Properties Bhd	-	-	1,153	1,121
Fixed deposit from a related company:				
- Chung Khiaw Realty Limited	5,917	5,760	5,917	5,760

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Due within six months	33,536,308	31,434,374	33,537,461	31,435,495
Six months to one year	13,146,945	13,055,441	13,146,945	13,055,441
One year to three years	108,715	152,735	108,715	152,735
Three years to five years	127,190	109,018	127,190	109,018
	46,919,158	44,751,568	46,920,311	44,752,689

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Business enterprises:				
- Subsidiaries	-	-	5,057	2,258
- Others	30,222,791	30,482,982	30,222,791	30,482,982
Individuals	39,893,837	37,077,155	39,893,837	37,077,155
Others	5,956,478	5,496,583	5,956,478	5,496,583
	76,073,106	73,056,720	76,078,163	73,058,978

16. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks in Malaysia	727,430	171,010	727,430	171,010
Bank Negara Malaysia*	1,520,239	1,729,771	1,520,239	1,729,771
Other financial institutions	4,589,868	6,924,488	4,589,898	6,924,518
	6,837,537	8,825,269	6,837,567	8,825,299

* Included in the deposits from Bank Negara Malaysia (BNM) is an amount of RM1,520,088,000 (2014: RM1,729,426,000) 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Provision for commitments and contingencies (Note (a))	24,516	1,642	24,516	1,642
Accrued interest payable	639,669	435,832	638,768	434,882
Accruals and provisions for operational expenses	182,031	161,909	180,916	161,305
Amount due to subsidiaries	-	-	26	47
Other payables and accruals (Note (b))	626,435	841,747	626,167	841,596
Deferred income (Note (c))	238,895	270,457	238,895	270,457
	1,711,546	1,711,587	1,709,288	1,709,929

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	1,642	932	1,642	932
Provision made during the year	22,874	710	22,874	710
At 31 December	24,516	1,642	24,516	1,642

(b) In previous financial year, included in other payables and accruals is an amount due to the ultimate holding company of RM102,544,000 in relation to precious metals on-loan to customers of the Bank as disclosed in Note 9. Also, included in other payables and accruals are 'Customer Gold Accounts' amounting to RM338,859,000 (2014: RM400,362,000).

(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

At amortised cost

	Group and Bank	
	2015 RM'000	2014 RM'000
RM500 million subordinated bonds 2010/2020, at par (Note (a))	-	500,000
RM500 million subordinated bonds 2013/2023, at par (Note (b))	500,000	500,000
RM1.0 billion subordinated bonds 2015/2025, at par (Note (c))	999,727	-
Unamortised expenses relating to issue of subordinated bonds	-	(116)
	1,499,727	999,884
Of which fair value hedge loss	273	-

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

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

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

The Bonds 1 have been rated AA1 (2014: AA1) by RAM and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

On 30 March 2015, the Bonds 1 have been fully redeemed.

(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 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%) 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.

(c) On 8 May 2015, the Bank issued RM1.0 billion Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) (the Bonds 3).

The Bonds 3 bear interest at the rate of 4.65% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bonds 3 may be redeemed at par at the option of the Bank, in part or in whole, on 8 May 2020 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 8 May and 8 November each year commencing 9 November 2015.

18. Subordinated Bonds (Continued)

(c) The Bonds 3 have been rated AA1 by RAM and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

As at 31 December 2015, the Group had an interest rate swap agreement in place with notional amount of RM500 million (2014: RM nil) whereby the Group receives a fixed interest rate of 4.65% per annum and pays variable interests rate of KLIBOR 6M plus 0.725% on the notional amount. The swap is being used to hedge exposure to changes in fair value of fixed rate of the Bonds 3.

The decrease in fair value of the interest rate swap of RM273,000 (2014: RM nil) has been recognised in trading and investment income and offset with a similar gain on the trading transactions. There is no ineffectiveness recognised for this hedge.

19. Share Capital

	Group and Bank	
	2015 RM'000	2014 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		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 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	(b)	145,190	104,297	-	-
Net unrealised reserve on AFS securities		63,289	65,132	56,387	58,230
		1,001,034	961,984	848,942	850,785
Distributable					
Retained profits	(c)	6,305,544	5,691,949	6,368,438	5,753,972
Total reserves		7,306,578	6,653,933	7,217,380	6,604,757

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

(c) The Bank may distribute dividends out of its entire retained profits as at 31 December 2015 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	Positive fair value RM'000	Negative fair value RM'000
2015			
Foreign exchange contracts			
- forwards	9,996,576	442,551	120,441
- swaps	11,827,268	176,849	346,826
- options	1,388,973	13,254	14,038
Interest rate related contracts			
- swaps	26,004,788	151,792	306,647
Equity related contracts			
- swaps	1,090,723	168,144	168,044
- options	208,905	248	248
Commodity related contracts			
- swaps	844,468	76,701	76,610
- futures	35,430	347	580
- options	225,560	746	-
		1,030,632	1,033,434
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
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
- futures	174,977	18,600	15,906
		905,946	619,755

21. Financial Derivatives (Continued)

The table above analyses the principal amounts and the positive and negative fair values of the Group's and the Bank's financial derivatives. The notional amounts of these instruments indicate the 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) Fair value of precious metals are determined based on prevailing quoted market prices.

(iii) 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 instruments
Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
Level 3 - Inputs that are not based on observable market data

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

Group	2015			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	1,503,310	331,356	-	1,834,666
AFS securities	4,998,482	154,912	74,795	5,228,189
Derivative financial assets	-	1,030,632	-	1,030,632
Precious metal accounts	301,144	-	-	301,144
Land and buildings	-	-	234,384	234,384
Total	6,802,936	1,516,900	309,179	8,629,015
Liabilities				
Derivative financial liabilities	-	1,033,434	-	1,033,434
Total	-	1,033,434	-	1,033,434

22. Fair Value of Assets and Liabilities (Continued)

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

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

Bank	2015			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	1,503,310	331,356	-	1,834,666
AFS securities	4,998,482	154,912	74,795	5,228,189
Derivative financial assets	-	1,030,632	-	1,030,632
Precious metal accounts	301,144	-	-	301,144
Total	6,802,936	1,516,900	74,795	8,394,631
Liabilities				
Derivative financial liabilities	-	1,033,434	-	1,033,434
Total	-	1,033,434	-	1,033,434

22. Fair Value of Assets and Liabilities (Continued)

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

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

(c) **Fair value of financial assets not carried at fair value**
Set out below is the comparison of the carrying amounts and fair values of the financial assets of the Group and the Bank which are not carried at fair value in the financial statement.

Group	2015		2014	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Assets				
Gross loans and advances	72,076,004	71,566,218	68,039,293	67,553,543
Liabilities				
Subordinated bonds	1,499,727	1,496,790	999,884	1,001,311
Bank				
Assets				
Gross loans and advances	72,261,627	71,751,841	68,228,498	67,742,748
Liabilities				
Subordinated bonds	1,499,727	1,496,790	999,884	1,001,311

22. Fair Value of Assets and Liabilities (Continued)

(c) **Fair value of financial assets not carried at fair value (Continued)**
The following tables show the fair values of the Group's and the Bank's financial assets which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy.

Group	2015			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans and advances	-	71,566,218	-	71,566,218
Liabilities				
Subordinated bonds	-	1,496,790	-	1,496,790

	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
Liabilities				
Subordinated bonds	-	1,001,311	-	1,001,311

Bank	2015			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans and advances	-	71,751,841	-	71,751,841
Liabilities				
Subordinated bonds	-	1,496,790	-	1,496,790

	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
Liabilities				
Subordinated bonds	-	1,001,311	-	1,001,311

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.

The fair value of the Bonds 1 and Bonds 3 are estimated based on prevailing market rates of the subodinated bonds of similar credit risks and maturity. For fair value of the Bonds 2, the fair value is estimated to approximate their carrying amounts.

22. Fair Value of Assets and Liabilities (Continued)

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

The following table presents the changes in Level 3 financial instruments and non-financial assets for the financial year end ended:

Reconciliation of fair value/revalued amount:

	Group and Bank	Group
	AFS securities: unquoted shares RM'000	Land and buildings RM'000
At 1 January 2014	12,272	197,459
Re-measurement:		
- recognised in other comprehensive income	72,776	-
Depreciation (recognised in other operating expenses)	-	(6,089)
At 31 December 2014	85,048	191,370
Re-measurement:		
- recognised in income statement	-	(573)
- recognised in other comprehensive income	(10,253)	49,917
Depreciation (recognised in other operating expenses)	-	(6,330)
At 31 December 2015	74,795	234,384

AFS securities: unquoted shares

Unquoted securities were revalued using the Cost/Asset Based Approach, specifically the Adjusted Net Assets Method. This method uses the assets and liabilities on the statements of financial position of the respective unquoted securities audited financial statements as at 31 December 2014 and 2013 by adopting the fair value of each item as disclosed in the notes to the accounts, where applicable.

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

Land and buildings

Land and buildings were revalued on 28 August 2015 by Knight Frank Malaysia Sdn Bhd, a registered valuer, by using the comparison approach. The investment method is also used as a check against the comparison approach. The previous valuation was performed on 27 December 2012.

The comparison approach generally compares and analyses recent recorded transactions of similar type of properties in the locality or similar locations and making the relevant adjustments for differences in factors that affect value. Listings and offers may also be considered. The investment method considers income and expense data relating to the properties being valued and estimates value through a capitalisation process by converting an income amount into a value estimate. This process may consider direct relationships including yield or discount rates (reflecting measures of return on investment).

Area	Significant unobservable valuation input:	Range
Central	Price per square metre	RM2,745 - RM8,695
North	Price per square metre	RM2,054 - RM4,430
South	Price per square metre	RM1,601 - RM10,487
East Coast	Price per square metre	RM1,893 - RM2,169
East Malaysia	Price per square metre	RM2,729 - RM4,848

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

22. Fair Value of Assets and Liabilities (Continued)

(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 2015 were investment equity securities of RM276,000 (2014: RM276,000) 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 their short-term maturity.

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from loans and advances	3,576,123	3,234,648	3,584,924	3,242,576
Interest income from impaired loans and advances	82,144	76,635	82,144	76,635
Money at call and deposit placements with financial institutions	389,202	496,872	389,202	496,872
Financial assets at FVTPL	46,935	35,947	46,935	35,947
AFS securities	239,800	221,031	239,800	221,031
	4,334,204	4,065,133	4,343,005	4,073,061
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(627)	(1,033)	(627)	(1,033)
- AFS securities	(11,928)	(21,600)	(11,928)	(21,600)
	4,321,649	4,042,500	4,330,450	4,050,428

25. Interest Expense

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits from customers	2,294,367	1,975,874	2,294,468	1,975,966
Deposits and placements of banks and other financial institutions	64,537	136,681	64,537	136,681
Subordinated bonds	58,336	47,469	58,336	47,469
Others	5,893	78,524	5,893	78,524
	2,423,133	2,238,548	2,423,234	2,238,640

26. Other Overseas Operating Income

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fee income				
- Commission	243,612	230,388	243,612	230,388
- Guarantee fees	70,941	61,553	70,941	61,553
- Service charges and fees	204,633	203,424	204,893	203,566
- Commitment fee	29,764	29,990	29,774	29,999
- Arrangement and participation fee	7,781	7,410	7,781	7,410
	556,731	532,765	557,001	532,916
Trading and investment income				
- Gain from sale of financial assets at FVTPL	4,497	743	4,497	743
- (Loss)/gain from trading derivatives	(3,851)	6,290	(3,851)	6,290
- Unrealised (loss)/gain from trading derivatives	(9,022)	15,197	(9,022)	15,197
- Gain from sale of precious metals	2,733	1,842	2,733	1,842
- Unrealised gain from revaluation of precious metals	371	-	371	-
- Gain from sale/recovery of AFS securities	41,444	2,184	41,444	2,184
- Unrealised gain/(loss) on financial assets at FVTPL	1,397	(4,575)	1,397	(4,575)
- Gross dividends from:				
- AFS securities quoted in Malaysia	1,028	962	1,028	962
- subsidiaries	-	-	-	230
- an associate	-	-	-	352,849
	38,597	22,643	38,597	375,722
Other income				
- Foreign exchange gain, net	172,898	158,440	172,898	158,440
- Rental income from operating leases	468	335	42	82
- Loss on disposal of property, plant and equipment	(119)	(133)	(119)	(133)
- Others	16,259	12,489	16,258	12,488
	189,506	171,131	189,079	170,877
	784,834	726,539	784,677	1,079,515

27. Other Operating Expenses

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel expenses	682,716	621,164	678,864	617,688
Establishment related expenses	203,876	169,588	217,464	182,632
Promotion and marketing related expenses	40,613	51,785	40,569	51,745
General administrative expenses	115,761	119,798	115,519	119,661
	1,042,966	962,335	1,052,416	971,726
Personnel expenses:				
- Wages, salaries and bonus	533,393	486,721	530,235	483,712
- Defined contribution plan	82,616	76,018	82,157	75,570
- Other employee benefits	66,707	58,425	66,472	58,406
	682,716	621,164	678,864	617,688
Establishment related expenses:				
- Depreciation of property, plant and equipment	46,893	40,647	40,399	34,510
- Hire of equipment	96	53	96	53
- Information technology costs	57,004	38,832	57,004	38,832
- Repair and maintenance	20,488	19,772	19,442	19,945
- Rental of premises	13,890	13,868	31,483	30,996
- Others	65,505	56,416	69,040	58,296
	203,876	169,588	217,464	182,632
Promotion and marketing related expenses:				
- Advertising and publicity	40,613	51,785	40,569	51,745
General administrative expenses:				
- Fees and commissions paid	41,513	46,023	41,334	45,945
- Auditors' remuneration				
- Statutory audit	515	501	490	475
- Assurance related services	78	78	78	78
- Other	12	67	12	67
	605	646	580	620
- Others	73,643	73,129	73,605	73,096
	115,761	119,798	115,519	119,661

28. Chief Executive Officer and Directors' Remuneration

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

	Group and Bank	
	2015 RM'000	2014 RM'000
Chief Executive Officer (CEO)		
- Salary and other remuneration	1,463	1,277
- Fees	60	60
- Bonus	1,310	969
- Benefits-in-kind	835	1,008
Non-executive directors		
- Fees	573	665
	4,241	3,979

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	
	2015	2014
Executive directors:		
RM1 to RM4,000,000	1	1
Non-executive directors:		
RM1 to RM100,000	5	2
RM100,001 to RM200,000	2	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
2015					
Executive directors:					
Wong Kim Choong	1,463	60	1,310	835	3,668
Non-executive directors:					
Wee Cho Yaw	-	90	-	-	90
Ong Yew Huat	-	150	-	-	150
Dato' Jeffrey Ng Tiong Lip	-	53	-	-	53
Fatimah Binti Merican	-	17	-	-	17
Francis Lee Chin Yong (resigned on 31 January 2016)	-	100	-	-	100
Datuk Abu Huraira Bin Abu Yazid (retired on 3 February 2016)	-	110	-	-	110
Abdul Latif Bin Yahaya (retired on 17 June 2014)	-	53	-	-	53
	1,463	633	1,310	835	4,241
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 (resigned on 31 January 2016)	-	100	-	-	100
Datuk Abu Huraira Bin Abu Yazid (retired on 3 February 2016)	-	110	-	-	110
Abdul Latif Bin Yahaya (retired on 17 June 2014)	-	105	-	-	105
	1,277	725	969	1,008	3,979

29. Allowance for Impairment On Loans and Advances

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Allowance for impaired loans and advances				
(a) individual impairment				
- made in the financial year	273,008	217,620	273,008	217,620
- written back in the financial year	(139,523)	(110,584)	(139,523)	(110,584)
(b) collective impairment				
- made in the financial year	109,780	182,214	109,780	182,214
Impaired loans and advances				
- written off	3,696	11,586	3,696	11,586
- recovered	(42,215)	(44,422)	(42,215)	(44,422)
	204,746	256,414	204,746	256,414

30. Income Tax Expense

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Income tax:				
Malaysian income tax in respect of current financial year	391,000	274,901	390,839	274,833
Over provision in prior financial years	(1,031)	(134,419)	(1,031)	(134,409)
	389,969	140,482	389,808	140,424
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	(38,635)	59,752	(40,943)	57,256
(Over)/under provision in prior financial years	(4,539)	141,094	(4,554)	141,009
	(43,174)	200,846	(45,497)	198,265
	346,795	341,328	344,311	338,689

30. Income Tax Expense (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	1,413,470	1,396,409	1,411,857	1,632,973
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	353,368	349,102	352,964	408,243
Effects of income not subject to tax	(7,461)	(406)	(7,461)	(88,510)
Effects of expenses not deductible for tax purposes	6,778	14,671	4,393	12,356
Effects of share of an associate's post-tax profit included in Group's profit before taxation	(320)	(28,714)	-	-
Over provision of tax expense in prior years	(1,031)	(134,419)	(1,031)	(134,409)
(Over)/under provision of deferred tax in prior years	(4,539)	141,094	(4,554)	141,009
Tax expense for the year	346,795	341,328	344,311	338,689

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 RM1,066,675,000 (2014: RM1,055,081,000) and on the number of ordinary shares of RM1 each in issue during the year of 470,000,000 (2014: 470,000,000).

32. Dividends

	Group and Bank 2015		Group and Bank 2014	
	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	96.4	453,080	73.9	347,195
Proposed final dividend for the current financial year	79.5	373,650	96.4	453,080

At the forthcoming Annual General Meeting, a final single-tier dividend of 79.5 percent in respect of the financial year ended 31 December 2015 on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM373,650,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders and BNM, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2016.

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) are as follows:

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

(b) **Key management personnel**

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

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

2015	Ultimate holding company RM'000	Holding company RM'000	Subsidiaries RM'000	An associate RM'000	Key management personnel RM'000	Fellow subsidiaries RM'000
Income						
- Interest on placements, loans and advances	257	-	8,802	-	229	247
- Commission income	3	-	-	-	-	-
- Commitment fee	-	-	10	-	-	-
- Service charge income	36	30	257	-	-	34
- Other income	3,423	-	-	-	-	-
	3,719	30	9,069	-	229	281
Expenditure						
- Interest on deposits	26,831	-	32	2,035	604	1,297
- Interest on subordinated bonds	22,563	-	-	-	-	-
- Rental expense	-	-	17,773	-	-	679
- Other expenses	38,441	-	5,030	-	-	-
	87,835	-	22,835	2,035	604	1,976
Assets						
- Cash and short-term funds	111,214	-	-	-	-	7,775
- Deposits and placements with financial institutions	-	-	-	-	-	11,236
- Loans and advances	-	-	185,623	-	4,353	5,406
	111,214	-	185,623	-	4,353	24,417

33. Significant Related Party Transactions and Balances (Continued)

	Ultimate holding company RM'000	Holding company RM'000	Subsidiaries RM'000	An associate RM'000	Key management personnel RM'000	Fellow subsidiaries RM'000
2015 (Continued)						
Liabilities						
- Deposits from customers	-	-	5,057	24,280	25,302	14,710
- Deposits and placements of banks and other financial institutions	4,552,097	-	30	-	-	31,348
- Subordinated bonds	500,000	-	-	-	-	-
- Other liabilities	23,445	-	26	-	-	-
	5,075,542	-	5,113	24,280	25,302	46,058
2014						
Income						
- Interest on placements, loans and advances	360	-	7,934	303	209	323
- Commission income	118	-	-	184	-	-
- Commitment fee	-	-	9	-	-	-
- Dividend income	-	-	230	352,849	-	-
- Service charge income	-	-	141	-	-	-
	478	-	8,314	353,336	209	323
Expenditure						
- Interest on deposits	109,298	-	-	5,888	552	876
- Interest on subordinated bonds	22,750	-	-	-	-	-
- Rental expense	-	-	17,318	-	-	679
- Other expenses	18,042	-	4,335	3,084	-	-
	150,090	-	21,653	8,972	552	1,555
Assets						
- Cash and short-term funds	259,078	-	-	-	-	2,587
- Loans and advances	-	-	189,205	-	5,558	6,406
- Other assets	238,544	-	-	-	-	-
	497,622	-	189,205	-	5,558	8,993
Liabilities						
- Deposits from customers	-	-	2,258	144,311	20,511	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	20,511	41,575

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	
	2015 RM'000	2014 RM'000
Short-term employee benefits	26,781	24,065
Post employment benefits: Defined contribution plan	3,210	2,832
Share based payment*	5,129	5,536
	35,120	32,433

** 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 Share Plan and Share Appreciation Rights Plan. As at 31 December 2015 the number of options held by key management personnel under these two plans were 198,225 (2014: 199,450) and 131,925 (2014: 409,350), 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
2015			
Direct credit substitutes	2,709,647	2,709,647	1,926,742
Transaction-related contingent items	4,756,334	2,356,956	1,442,940
Short-term self-liquidating trade-related contingencies	478,850	106,401	81,925
Foreign exchange related contracts			
- less than one year	22,269,024	886,191	373,404
- more than one year to less than five years	436,570	78,877	78,754
Interest rate related contracts			
- less than one year	5,023,307	24,238	9,240
- more than one year to less than five years	15,821,072	574,884	333,368
- five years and above	1,858,392	141,644	153,830
Equity related contracts			
- less than one year	538,475	40,350	16,168
- more than one year to less than five years	215,792	14,089	8,558
Commodity contracts			
- less than one year	870,028	164,449	59,353
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility*			
- less than one year	11,788,087	856,304	283,191
- more than one year	11,541,428	7,021,964	4,400,914
- unconditionally cancellable	8,485,342	2,278,691	277,975
Total	86,992,348	17,278,685	9,458,362

** During the financial year, the Group and the Bank have revised the basis from implementation limit to approval limits in computing the undrawn credit facility. Accordingly, comparative figures are not comparable with current financial year.*

34. Commitments and Contingencies (Continued)

	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

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

35. Capital Commitments

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital expenditure for property, plant and equipment:				
- authorised and contracted for	28,000	41,457	21,472	32,127

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Future minimum rental payments:				
- Not later than 1 year	11,941	12,732	31,056	30,377
- Later than 1 year and not later than 5 years	10,657	11,786	48,887	11,786
	22,598	24,518	79,943	42,163

37. Financial Risk Management

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

The 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 Market Division's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the Bank's Internal Audit Division.

The main financial risks that the Group and 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 meet its financial obligations when such obligations fall due.

The EXCO 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 Working Group and EXCO.

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(i) Credit Exposure

Group	2015 RM'000	2014 RM'000
Cash and short-term funds	7,735,351	10,833,347
Securities purchased under resale agreements	4,984,364	499,826
Deposits and placements with financial institutions	13,082	130,516
Financial assets at FVTPL	1,834,666	2,392,138
AFS securities	5,228,465	9,250,843
Loans and advances	70,872,652	66,926,375
Derivative financial assets	1,030,632	905,946
Other assets	104,660	96,610
Statutory deposits with BNM	2,212,280	1,960,350
	94,016,152	92,995,951
Other assets not subject to credit risk	1,362,304	1,083,293
	95,378,456	94,079,244
Commitments and contigencies	86,992,348	76,294,367

Bank	2015 RM'000	2014 RM'000
Cash and short-term funds	7,735,351	10,833,347
Securities purchased under resale agreements	4,984,364	499,826
Deposits and placements with financial institutions	13,082	130,516
Financial assets at FVTPL	1,834,666	2,392,138
AFS securities	5,228,465	9,250,843
Loans and advances	71,058,275	67,115,580
Derivative financial assets	1,030,632	905,946
Other assets	104,660	96,610
Statutory deposits with BNM	2,212,280	1,960,350
	94,201,775	93,185,156
Other assets not subject to credit risk	1,090,288	841,072
	95,292,063	94,026,228
Commitments and contigencies	86,992,348	76,294,367

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 creditworthiness 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	Commitments and contingencies RM'000
Group								
2015								
Agriculture, hunting, forestry and fishing	-	-	-	1,193,721	(58,852)	-	1,134,869	1,009,848
Mining and quarrying	-	-	-	986,162	(2,004)	-	984,158	431,586
Manufacturing	-	-	-	6,290,410	(249,049)	-	6,041,361	6,611,977
Electricity, gas and water	-	-	-	65,959	(4,428)	-	61,531	119,100
Construction	-	-	11,138	7,592,538	(158,345)	-	7,445,331	12,451,579
Wholesale, retail trade, restaurants and hotels	-	-	-	9,083,236	(219,206)	-	8,864,030	7,991,034
Transport, storage, and communication	-	-	36,412	1,018,265	(7,669)	-	1,047,008	481,603
Finance, insurance, and business services	12,732,797	1,834,666	5,180,476	2,190,185	(75,968)	3,347,572	25,209,728	43,284,051
Real estate	-	-	439	3,631,753	(96,046)	-	3,536,146	917,637
Community, social and personal services	-	-	-	147,596	(1,089)	-	146,507	1,887,036
Households:								
- purchase of residential properties	-	-	-	26,459,480	(154,498)	-	26,304,982	-
- purchase of non residential properties	-	-	-	8,474,411	(52,656)	-	8,421,755	-
- others	-	-	-	4,942,288	(123,542)	-	4,818,746	10,987,633
Others	-	-	-	-	-	-	-	819,264
Other assets not subject to credit risk	-	-	-	-	-	1,362,304	1,362,304	-
	12,732,797	1,834,666	5,228,465	72,076,004	(1,203,352)	4,709,876	95,378,456	86,992,348

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):

Group 2014	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	Commitments and contingencies RM'000
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	-	-	10,778	6,273,493	(136,757)	-	6,147,514	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	-	-	34,436	1,015,091	(17,327)	-	1,032,200	418,775
Finance, insurance, and business services	11,463,689	2,056,354	9,201,829	2,259,595	(75,708)	2,962,906	27,868,665	26,525,860
Real estate	-	-	412	4,381,508	(106,801)	-	4,275,119	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	-
	11,463,689	2,392,138	9,250,843	68,039,293	(1,112,918)	4,046,199	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	Commitments and contingencies RM'000
Bank								
2015								
Agriculture, hunting, forestry and fishing	-	-	-	1,193,721	(58,852)	-	1,134,869	1,009,848
Mining and quarrying	-	-	-	986,162	(2,004)	-	984,158	431,586
Manufacturing	-	-	-	6,290,410	(249,049)	-	6,041,361	6,611,977
Electricity, gas and water	-	-	-	65,959	(4,428)	-	61,531	119,100
Construction	-	-	11,138	7,592,538	(158,345)	-	7,445,331	12,451,579
Wholesale, retail trade, restaurants and hotels	-	-	-	9,083,236	(219,206)	-	8,864,030	7,991,034
Transport, storage, and communication	-	-	36,412	1,018,265	(7,669)	-	1,047,008	481,603
Finance, insurance, and business services	12,732,797	1,834,666	5,180,476	2,190,185	(75,968)	3,347,572	25,209,728	43,284,051
Real estate	-	-	439	3,817,376	(96,046)	-	3,721,769	917,637
Community, social and personal services	-	-	-	147,596	(1,089)	-	146,507	1,887,036
Households:								
- purchase of residential properties	-	-	-	26,459,480	(154,498)	-	26,304,982	-
- purchase of non residential properties	-	-	-	8,474,411	(52,656)	-	8,421,755	-
- others	-	-	-	4,942,288	(123,542)	-	4,818,746	10,987,633
Others	-	-	-	-	-	-	-	819,264
Other assets not subject to credit risk	-	-	-	-	-	1,090,288	1,090,288	-
	12,732,797	1,834,666	5,228,465	72,261,627	(1,203,352)	4,437,860	95,292,063	86,992,348

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	Commitments and contingencies 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	-	-	10,778	6,273,493	(136,757)	-	6,147,514	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	-	-	34,436	1,015,091	(17,327)	-	1,032,200	418,775
Finance, insurance, and business services	11,463,689	2,056,354	9,201,829	2,259,595	(75,708)	2,962,906	27,868,665	26,525,860
Real estate	-	-	412	4,570,713	(106,801)	-	4,464,324	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	-	-	-	-	-	841,072	841,072	-
	11,463,689	2,392,138	9,250,843	68,228,498	(1,112,918)	3,803,978	94,026,228	76,294,367

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 as follows:

	2015		2014	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Pass	70,252,993	70,438,616	66,246,894	66,436,099
Special mention	606,830	606,830	723,330	723,330
Substandard	1,011,782	1,011,782	888,949	888,949
Doubtful	64,774	64,774	22,663	22,663
Loss	139,625	139,625	157,457	157,457
	72,076,004	72,261,627	68,039,293	68,228,498

Gross impaired debt securities of the Group and the Bank as at 31 December 2015 were RM66,260,000 (2014: RM66,260,000) and allowance for impairment of RM39,960,000 (2014: RM39,960,000) was made for these securities.

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

Group and Bank	2015		2014	
	Past due but not impaired RM'000	Impaired RM'000	Past due but not impaired RM'000	Impaired RM'000
Current	-	41,847	-	236,965
Within 90 days	3,576,106	105,475	2,889,907	81,865
Over 90 to 180 days	-	204,612	-	172,591
Over 180 days	-	864,247	-	577,648
	3,576,106	1,216,181	2,889,907	1,069,069

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

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

Group and Bank	2015			2014		
	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	1,427	-	-	1,758	-	-
Mining and quarrying	503	360	73	1,752	-	-
Manufacturing	280,344	204,103	62,125	203,521	240,290	85,129
Electricity, gas and water	-	-	-	703	-	-
Construction	670,814	200,318	33,022	492,083	214,039	9,516
Wholesale, retail trade, restaurants and hotels	384,065	140,881	32,818	328,076	123,950	47,857
Transport, storage, and communication	29,089	100,232	126	19,887	4,245	1,815
Finance, insurance, and business services	42,620	17,355	5,318	51,421	15,447	5,270
Real estate	251,394	48,921	1,818	196,023	15,611	1,867
Community, social and personal services	4,961	862	134	3,185	960	352
Households:						
- purchase of residential properties	1,303,155	370,721	26,740	1,139,158	341,406	27,768
- purchase of non residential properties	383,134	49,585	3,820	262,396	43,532	6,843
- others	224,600	82,843	17,860	189,944	69,589	16,783
	3,576,106	1,216,181	183,854	2,889,907	1,069,069	203,200

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(vi) Effects of holding collaterals

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

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

Effects of holding 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.

Group and Bank	Financial effect RM'000	Maximum exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000
2015			
Impaired loans and advances	998,052	1,216,181	218,129
2014			
Impaired loans and advances	846,143	1,069,069	222,926

For loans and advances, individual assessment allowance as at the date of the statements of financial position would have been higher by approximately RM998,052,000 (2014: RM846,143,000) without the collaterals held.

(vii) Repossessed collaterals

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

Repossessed collaterals are sold as soon as practicable. Repossessed collaterals are recognised in other assets on the statements of financial position. The Group and the Bank do not occupy repossessed properties for its business use.

For the financial years ended 31 December 2015 and 2014, there were no repossessed collaterals.

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(viii) Credit exposure analysed by geography

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2015			
Cash and short-term funds	7,235,848	499,503	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Deposits and placements with financial institutions	1,846	11,236	13,082
Financial assets at FVTPL	1,834,666	-	1,834,666
AFS securities	5,228,465	-	5,228,465
Loans and advances	64,111,408	6,761,244	70,872,652
Derivative financial assets	953,909	76,723	1,030,632
Other assets	104,660	-	104,660
Statutory deposits with BNM	2,212,280	-	2,212,280
	86,667,446	7,348,706	94,016,152
Commitments and contingencies	78,103,509	8,888,839	86,992,348
2014			
Cash and short-term funds	10,199,046	634,301	10,833,347
Securities purchased under resale agreements	499,826	-	499,826
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	96,610	-	96,610
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

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(viii) Credit exposure analysed by geography (Continued)

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2015			
Cash and short-term funds	7,235,848	499,503	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Deposits and placements with financial institutions	1,846	11,236	13,082
Financial assets at FVTPL	1,834,666	-	1,834,666
AFS securities	5,228,465	-	5,228,465
Loans and advances	64,297,031	6,761,244	71,058,275
Derivative financial assets	953,909	76,723	1,030,632
Other assets	104,660	-	104,660
Statutory deposits with BNM	2,212,280	-	2,212,280
	86,853,069	7,348,706	94,201,775
Commitments and contingencies	78,103,509	8,888,839	86,992,348
2014			
Cash and short-term funds	10,199,046	634,301	10,833,347
Securities purchased under resale agreements	499,826	-	499,826
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	96,610	-	96,610
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

37. Financial Risk Management (Continued)

(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's 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 Department.

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

(ii) Interest rate risk

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

Banking book 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 banking book 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 RM80 million and RM159 million (2014: negative RM82 million and RM158 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 Bank computes market risk based on historical simulation VaR, this entails the estimation of tail loss based on the most recent historical data, which may not always reflect the extreme loss event. The Bank runs market risk stress to complement the market risk historical simulation VaR. The table below shows the VaR profile by risk classes.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2015				
Interest rate	2,568	4,169	504	2,744
Foreign exchange	940	8,598	348	2,414
Commodities	371	1,614	56	594
Total diversified VaR	2,291	9,443	1,087	3,532
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

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 BNM's Liquidity Coverage Ratio. 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 cash and other high quality liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Bank has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but has historically provided a stable source of long-term funding for the Bank.

Group 2015	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	7,740,949	-	-	-	-	7,740,949
Securities purchased under resale agreements	5,009,027	-	-	-	-	5,009,027
Deposits and placements with financial institutions	13,082	-	-	-	-	13,082
Financial assets at FVTPL	995,481	213,457	347,112	312,740	10,839	1,879,629
AFS securities	5,547,364	208,984	275,260	3,918,278	9,405	9,959,291
Loans and advances	17,327,285	3,071,899	3,450,674	23,140,687	56,121,137	103,111,682
Derivative financial assets	431,253	124,045	277,158	183,728	14,448	1,030,632
Statutory deposits with BNM	-	-	-	-	2,212,280	2,212,280
	37,064,441	3,618,385	4,350,204	27,555,433	58,368,109	130,956,572
Liabilities						
Deposits from customers	53,675,641	9,376,544	13,835,655	474,653	-	77,362,493
Deposits and placements of banks and other financial institutions	4,481,525	358,977	548,778	233,780	1,226,273	6,849,333
Bills and acceptances payables	303,666	1,878	-	-	-	305,544
Derivative financial liabilities	440,270	192,061	218,089	177,787	5,227	1,033,434
Subordinated bonds	11,375	23,141	34,625	731,627	1,208,913	2,009,681
	58,912,477	9,952,601	14,637,147	1,617,847	2,440,413	87,560,485
Net maturity mismatches	(21,848,036)	(6,334,216)	(10,286,943)	25,937,586	55,927,696	
Off-balance sheet liabilities						
Credit and commitments	15,425,169	3,329,243	29,338,398	9,579,613	6,617,156	64,289,579
Derivatives	7,968	114,484	54,103	(364)	-	176,191
Net maturity mismatches	15,433,137	3,443,727	29,392,501	9,579,249	6,617,156	64,465,770

38. Liquidity Risk (Continued)

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

Bank 2015	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	7,740,949	-	-	-	-	7,740,949
Securities purchased under resale agreements	5,009,027	-	-	-	-	5,009,027
Deposits and placements with financial institutions	13,082	-	-	-	-	13,082
Financial assets at FVTPL	995,481	213,457	347,112	312,740	10,839	1,879,629
AFS securities	5,547,364	208,984	275,260	3,918,278	9,405	9,959,291
Loans and advances	17,512,908	3,071,899	3,450,674	23,140,687	56,121,137	103,297,305
Derivative financial assets	431,253	124,045	277,158	183,728	14,448	1,030,632
Statutory deposits with BNM	-	-	-	-	2,212,280	2,212,280
	37,250,064	3,618,385	4,350,204	27,555,433	58,368,109	131,142,195

38. Liquidity Risk (Continued)

Bank (Continued) 2015	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	53,680,698	9,376,544	13,835,655	474,653	-	77,367,550
Deposits and placements of banks and other financial institutions	4,481,555	358,977	548,778	233,780	1,226,273	6,849,363
Bills and acceptances payables	303,666	1,878	-	-	-	305,544
Derivative financial liabilities	440,270	192,061	218,089	177,787	5,227	1,033,434
Subordinated bonds	11,375	23,141	34,625	731,627	1,208,913	2,009,681
	58,917,564	9,952,601	14,637,147	1,617,847	2,440,413	87,565,572
Net maturity mismatches	(21,667,500)	(6,334,216)	(10,286,943)	25,937,586	55,927,696	
Off-balance sheet liabilities						
Credit and commitments	15,425,169	3,329,243	29,338,398	9,579,613	6,617,156	64,289,579
Derivatives	7,968	114,484	54,103	(364)	-	176,191
Net maturity mismatches	15,433,137	3,443,727	29,392,501	9,579,249	6,617,156	64,465,770

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
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	8,842,282
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

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 2015 and 2014. 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's and the Bank's assets and liabilities are expected to be recovered or settled.

Group 2015	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	7,735,351	-	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Deposits and placements with financial institutions	13,082	-	13,082
Financial assets at FVTPL	1,521,405	313,261	1,834,666
AFS securities	1,486,294	3,742,171	5,228,465
Loans and advances	21,316,770	49,555,882	70,872,652
Derivative financial assets	832,456	198,176	1,030,632
Other assets	923,015	4,180	927,195
Statutory deposits with BNM	-	2,212,280	2,212,280
Investment in an associate	-	11,313	11,313
Property, plant and equipment	-	503,202	503,202
Tax recoverable	-	168	168
Deferred tax assets	-	25,086	25,086
Total assets	38,812,737	56,565,719	95,378,456
Liabilities			
Deposits from customers	75,609,847	463,259	76,073,106
Deposits and placements of banks and other financial institutions	5,377,484	1,460,053	6,837,537
Bills and acceptances payables	305,544	-	305,544
Derivative financial liabilities	850,420	183,014	1,033,434
Other liabilities	1,487,709	223,837	1,711,546
Tax payable	140,984	-	140,984
Subordinated bonds	-	1,499,727	1,499,727
Total liabilities	83,771,988	3,829,890	87,601,878
Net mismatch	(44,959,251)	52,735,829	7,776,578

39. Maturity Analysis of Assets and Liabilities (Continued)

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 agreements	499,826	-	499,826
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	635,548	3,801	639,349
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	41,692,909	52,386,335	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	1,477,496	234,091	1,711,587
Deferred tax liabilities	-	9,679	9,679
Subordinated bonds	499,884	500,000	999,884
Total liabilities	83,944,179	3,011,132	86,955,311
Net mismatch	(42,251,270)	49,375,203	7,123,933

Bank 2015	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	7,735,351	-	7,735,351
Securities purchased under resale agreements	4,984,364	-	4,984,364
Deposits and placements with financial institutions	13,082	-	13,082
Financial assets at FVTPL	1,521,405	313,261	1,834,666
AFS securities	1,486,294	3,742,171	5,228,465
Loans and advances	21,502,393	49,555,882	71,058,275
Derivative financial assets	832,456	198,176	1,030,632
Other assets	922,972	8,591	931,563
Statutory deposits with BNM	-	2,212,280	2,212,280
Investment in subsidiaries	-	50	50
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	208,910	208,910
Deferred tax assets	-	40,903	40,903
Total assets	38,998,317	56,293,746	95,292,063

39. Maturity Analysis of Assets and Liabilities (Continued)

Bank (Continued) 2015	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Liabilities			
Deposits from customers	75,614,904	463,259	76,078,163
Deposits and placements of banks and other financial institutions	5,377,514	1,460,053	6,837,567
Bills and acceptances payables	305,544	-	305,544
Derivative financial liabilities	850,420	183,014	1,033,434
Other liabilities	1,485,451	223,837	1,709,288
Tax payable	140,960	-	140,960
Subordinated bonds	-	1,499,727	1,499,727
Total liabilities	83,774,793	3,829,890	87,604,683
Net mismatch	(44,776,476)	52,463,856	7,687,380

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 agreements	499,826	-	499,826
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	632,317	8,206	640,523
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
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

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	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
2015					
Financial assets					
Derivative financial assets	1,030,632	-	1,030,632	(123,795)	906,837
Financial liabilities					
Derivative financial liabilities	1,033,434	-	1,033,434	(520,881)	512,553
2014					
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

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

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

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

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

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

Wholesale Banking (WB)

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group (FIG), Investment Banking and Transaction Banking. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies. FIG serves financial institutions as well as non-bank financial institutions. Commercial Banking, Corporate Banking and FIG provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, ship finance, trade finance, structured finance, cash management and cross-border payments. Investment Banking provides services that include lead managing and underwriting equity offerings, corporate advisory services structuring, underwriting and arranging syndicated loans and underwriting and lead managing bond issues. Transaction Banking provides trade finance and cash management services.

Global Markets (GM)

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

Others

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)

	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Group							
2015							
Operating income	1,261,974	951,140	122,072	373,924	2,709,110	(25,760)	2,683,350
Other operating expenses	(691,459)	(193,809)	(42,628)	(138,195)	(1,066,091)	23,125	(1,042,966)
Allowance for impairment on loans and advances	(58,932)	(145,613)	(438)	237	(204,746)	-	(204,746)
Impairment loss on Property, plant and equipment	-	-	-	(573)	(573)	-	(573)
Net provision for commitments and contingencies	27	(22,901)	-	-	(22,874)	-	(22,874)
Share of net profit of an associate	-	-	-	1,279	1,279	-	1,279
Profit before taxation	511,610	588,817	79,006	236,672	1,416,105	(355,222)	1,413,470
Income tax expense							(346,795)
							1,066,675
Segment assets							
Gross loans	46,135,673	25,740,028	-	385,926	72,261,627	(185,623)	72,076,004
Unallocated assets							23,302,452
Total assets							95,378,456
Segment liabilities							
Deposits from customers	47,954,204	27,301,943	710,872	111,144	76,078,163	(5,057)	76,073,106
Unallocated liabilities							11,528,772
Total liabilities							87,601,878
Other information							
Inter-segment operating income/(expense)	(4,923)	287,249	(636,455)	379,889	25,760	(25,760)	-
Depreciation of property, plant and equipment	6,996	1,133	2,030	36,801	46,960	(67)	46,893

41. Segment Information (Continued)

Operating Segments (Continued)

	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Group							
2014							
Operating income	1,214,511	849,664	181,215	662,183	2,907,573	(377,082)	2,530,491
Other operating expenses	(642,566)	(180,898)	(45,058)	(115,673)	(984,195)	21,860	(962,335)
Allowance for impairment on loans and advances	(90,793)	(165,616)	-	(5)	(256,414)	-	(256,414)
Impairment loss on:							
- AFS securities	-	-	(9,725)	-	(9,725)	-	(9,725)
- 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	481,135	502,457	126,432	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)	300,778	(547,479)	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	
	2015 RM'000	2014 RM'000
<u>Reconciliation of profit before taxation</u>		
Segment profit	1,416,105	1,751,631
<u>Eliminations</u>		
Interest income:		
- Interest income from loans and advances	(9,724)	(8,591)
Interest expense:		
- Deposits from customers	7,033	6,389
Fee income:		
- Service charges and fees	(899)	(714)
- Commitment fees	(10)	(9)
Gross dividends from:		
- Subsidiaries	-	(230)
- An associate	-	(352,849)
Other income:		
- Rental income from operating leases	(22,160)	(21,078)
	(25,760)	(377,082)
Personnel expenses:		
- Other employee benefits	179	189
Establishment related expenses:		
- Depreciation of property, plant and equipment	67	67
- Rental of premises	17,594	17,129
- Others	5,281	4,475
Promotion and marketing related expenses:		
- Advertising and publicity	4	-
	23,125	21,860
Profit before taxation	1,413,470	1,396,409
<u>Reconciliation of total assets</u>		
Segment assets	72,261,627	68,228,498
<u>Elimination</u>		
- Gross loans and advances	(185,623)	(189,205)
Unallocated assets	23,302,452	26,039,951
Total assets	95,378,456	94,079,244

41. Segment Information (Continued)

Operating Segments (Continued)

	Group	
	2015 RM'000	2014 RM'000
<u>Reconciliation of total liabilities</u>		
Segment liabilities	76,078,163	73,058,978
<u>Elimination</u>		
- Deposits from customers	(5,057)	(2,258)
Unallocated liabilities	11,528,772	13,898,591
Total liabilities	87,601,878	86,955,311

42. Capital Management and Capital Adequacy

The Group's and the Bank's capital management objective is to maintain an optimal level of capital. Policies are set to ensure that the capital maintained is adequate to support business growth, taking into consideration regulatory requirements, the underlying risk of the Group's and the Bank's business and other factors such as rating targets. The policies endorsed by the Board of Directors are overseen by senior management.

The Group and the Bank compute capital adequacy ratios in accordance with BNM's guidelines.

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Common Equity Tier 1 (CET1)/Tier 1 Capital</u>				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits	6,305,544	5,691,949	6,368,438	5,753,972
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	223,531	184,481	56,387	58,230
Regulatory adjustments applied in the calculation of CET1 Capital	(238,046)	(201,767)	(90,887)	(76,539)
Total CET1/Tier 1 Capital	7,553,584	6,937,218	7,596,493	6,998,218
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,500,000	900,000	1,500,000	900,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	169,563	222,867	175,551	222,867
- Collective impairment provisions	25,697	58,999	22,073	53,678
Regulatory adjustments applied in the calculation of Tier 2 Capital	65,250	(24,091)	(8,143)	(80,019)
Total Tier 2 Capital	1,760,510	1,157,775	1,689,481	1,096,526
Total Capital	9,314,094	8,094,993	9,285,974	8,094,744

42. Capital Management and Capital Adequacy (Continued)

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

	Group		Bank	
	2015	2014	2015	2014
CET1/Tier 1 Capital	14.155%	15.461%	14.314%	15.684%
Total Capital	17.455%	18.042%	17.497%	18.141%
CET1/Tier 1 Capital (net of proposed dividends)	13.455%	14.452%	13.610%	14.668%
Total Capital (net of proposed dividends)	16.754%	17.032%	16.793%	17.126%

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	
	2015 RM,000	2014 RM,000	2014 RM,000	2014 RM,000
Total RWA for credit risk	47,520,377	39,720,571	47,230,453	39,473,651
Total RWA for market risk	1,167,514	803,362	1,167,514	803,362
Total RWA for operational risk	4,673,789	4,344,262	4,673,789	4,344,262
	53,361,680	44,868,195	53,071,756	44,621,275

43. Credit Exposure Arising from Credit Transactions with Connected Parties

	Bank	
	2015	2014
Outstanding credit exposures with connected parties (RM'000)	483,299	432,783
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.669%	0.630%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.000%	0.000%

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

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