UNITED OVERSEAS BANK (MALAYSIA) BHD
Annual Report 2017

I Thought, We Can Stay Strong Like Stones
Chok Yue Zan

United Overseas Bank (Malaysia) Bhd (271809K)

Content

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

I Thought, We Can Stay Strong Like Stones

by Chok Yue Zan
Mixed media
120 x 180 cm

Mr Chok Yue Zan's *I Thought, We Can Stay Strong Like Stones* is the design inspiration for this Annual Report. Mr Chok reinterprets his family's portrait to show the depth, strength and unity of familial ties. It received the 2017 UOB Painting of the Year (Malaysia) award. He is also the recipient of the 2018 UOB-Fukuoka Asian Art Museum residency programme.

The rocks carved in the shape of the people closest to the artist symbolise the importance of nurturing trusted and deep relationships that last. Standing resilient amid swaying foliage, cloudy skies and rolling waters, the rocks reinforce the need for a firm foundation and fortitude to weather change and volatility. These reflect UOB's distinctive and disciplined approach to banking.

Creating sustainable value for our stakeholders and the communities in which we operate is also expressed through UOB's support of art. The UOB Painting of the Year Competition, in its 36th year in 2017, is the Bank's flagship art programme held across four Southeast Asian countries.

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2017

Overview

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, Singapore (UOB (Singapore)), a leading bank in Asia with a global network of more than 500 branches and offices in 19 countries and territories in Asia Pacific, Europe and North America.

UOB has had a presence in Malaysia since 1951. Today, UOB (Malaysia) operates 45 branches throughout the country offering both conventional and Islamic banking services.

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.

Awards and Accolades in 2017

Asiamoney

Best Bank Awards 2017: Malaysia
- Best International Bank

The Asset Triple A

Treasury, Trade, Supply Chain and Risk Management Awards 2017
- Best Cash Management Solution in Malaysia

Islamic Finance News (IFN)

IFN Deals of the Year 2017
- Structured Finance Deal of the Year

Corporate Treasurer

Corporate Treasurer (CT) Awards 2017
- Best Bank in Malaysia (Cash Management, Trade Finance & Risk Management)
- Best Working Capital Solution in Asia Pacific

Chairman's Statement

We will continue to harness technology, and our regional franchise and expertise to offer a distinctive and consistent experience with products and solutions designed around our customers' business and lifestyle needs, both through conventional and Islamic banking.

2017 Financial Performance

Amid improving economic conditions, United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) recorded a commendable set of results for the financial year 2017. Net profit after tax increased by 4.0 per cent to RM1,144.4 million (2016: RM1,100.8 million).

Total operating income increased by 6.0 per cent to RM2,958.0 million (2016: RM2,791.4 million), contributed by both net interest and non-interest income. Net interest income grew by 5.4 per cent to RM2,022.5 million (2016: RM1,919.7 million), supported mainly by loan growth and higher interest income from available-for-sale securities. However, this was partially offset by higher interest expense from net placements of financial institutions and higher customer deposits. The increase in non-interest income by 5.2 per cent to RM911.8 million (2016: RM866.8 million) was supported by higher fee income, as well as trading and investment income. However, this was partially offset by lower foreign exchange gains. The Islamic banking business recorded net income of RM23.7 million.

Total operating expenses increased by 6.2 per cent to RM1,140.3 million (2016: RM1,073.9 million) as we continued to invest in our people and information technology infrastructure to support our growing customer base and core business interests. We continued to maintain a disciplined approach to cost management with a cost-to-income ratio of 38.6 per cent (2016: 38.5 per cent).

Allowance for impairment on loans, advances and financing increased by 17.0 per cent to RM292.1 million (2016: RM249.7 million) due to higher individual impairment of RM41.8 million. Our asset quality remained strong with net non-performing loans ratio at 1.3 per cent.

Gross loans, advances and financing increased by 1.7 per cent to RM79.1 billion (2016: RM77.8 billion) and non-bank deposits increased by 1.5 per cent to RM83.4 billion (2016: RM82.2 billion).

2018 Outlook

The global economy is expected to maintain its growth momentum in 2018 supported by improving macroeconomic conditions across advanced and emerging economies. Steady flow of foreign investment into the US, Japan and the European Union, as well as stronger private consumption levels, have helped global economies remain resilient as central banks across the world begin implementing their monetary normalisation policies. Given this resilience, we expect economic growth to become more entrenched and global economies to continue on their growth trajectories. While the global economic outlook looks favourable in 2018, we expect risks to persist in the form of ongoing geopolitical events and lingering policy uncertainty across developed economies.

Malaysia's Gross Domestic Product is projected to remain strong in 2018. Private consumption and foreign investments into Malaysia will remain key growth drivers. The government's efforts to ease the cost of living and boost domestic demand through tax relief and incentives, in addition to its commitment to large-scale infrastructure spending will likely lift confidence and fuel investment flows into the country.

Malaysia is also likely to benefit from regional and multilateral trade partnerships under the One Belt One Road initiative as more investments flow into the region. Over the medium term, Malaysia's economy continues to look attractive given its improving fundamentals and ongoing policy reforms to stimulate economic growth through improved labour productivity, capital spending and technology.

In 2018, we will continue to develop and to strengthen our capabilities to meet our customers' needs while remaining prudent and disciplined as we pursue sustainable growth. For our customers, we will continue to harness technology, and our regional franchise and expertise to offer a distinctive and consistent experience with products and solutions designed around their business and lifestyle needs, both through conventional and Islamic banking.

Acknowledgement

With the leadership of our experienced management team and support of our dedicated colleagues across the Bank, we will continue to balance seizing opportunities for business growth with maintaining financial stability and strength for the long term.

I would like to thank Chairman Emeritus, Dr Wee Cho Yaw, for his continued leadership and guidance. I also take this opportunity to thank my fellow directors for the vision and intellect that they bring to the board.

On behalf of the Board of Directors, I would like to convey my sincere appreciation to the CEO, the Management and our people for their commitment, drive and contribution throughout the year. Finally, I would like to thank our valued customers for all the support and trust they have placed in UOB (Malaysia).

Ong Yew Huat
Chairman

Board of Directors and its Committees

BOARD

- Dr Wee Cho Yaw (Chairman Emeritus and Adviser)
  Non-independent and non-executive
- Ong Yew Huat (Board Chairman)
  Independent and non-executive
- Wee Ee Cheong (Deputy Chairman)
  Non-independent and executive
- Dato' Jeffrey Ng Tiong Lip
  Independent and non-executive
- Fatimah Binti Merican
  Independent and non-executive
- Wong Kim Choong
  Non-independent and executive

NOMINATING COMMITTEE

- Fatimah Binti Merican (Chairperson)
- Dr Wee Cho Yaw
- Wee Ee Cheong
- Dato' Jeffrey Ng Tiong Lip
- Ong Yew Huat

REMUNERATION COMMITTEE

- Fatimah Binti Merican (Chairperson)
- Dr Wee Cho Yaw
- Ong Yew Huat

RISK MANAGEMENT COMMITTEE

- Fatimah Binti Merican
- Dato' Jeffrey Ng Tiong Lip
- Ong Yew Huat

AUDIT COMMITTEE

- Dato' Jeffrey Ng Tiong Lip (Chairman)
- Fatimah Binti Merican
- Ong Yew Huat

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 2016. 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 banker with more than 60 years' experience, Dr Wee is a veteran in the banking, insurance, real estate and hospitality industries. He is the former Chairman and Chief Executive Officer of United Overseas Bank Limited of Singapore and is currently its Chairman Emeritus and Adviser. 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, Wee Foundation and Chung Cheng High School.

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. He was conferred Honorary Degrees of Doctor of Letters by the National University of Singapore (2008) and Nanyang Technological University (2014).

He received many accolades for his business achievements and support of education, community welfare and the business community. Among the awards conferred on him are the Distinguished Service Order, Singapore's highest National Day Award (2011), the ASEAN Business Advisory Council Legacy Award for Singapore (2017), the Asian Banker Lifetime Achievement Award (2009), the Credit Suisse-Ernst & Young Lifetime Achievement Award (2006), and Businessman of the Year, Singapore Business Awards (2001 and 1990).

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 and last re-appointed as Board Chairman on 1 January 2016. He is also a member of the Audit, Risk Management, Nominating and Remuneration Committees.

Mr Ong is also an independent director of United Overseas Bank Limited of Singapore. He is also a director of Singapore Power, Singapore Mediation Centre and Ascendas-Singbridge. Mr Ong is Chairman of the National Heritage Board of Singapore, Singapore Tyler Print Institute and Tax Academy of Singapore. He retired in December 2012 as the Executive Chairman of Ernst & Young Singapore after 33 years with the firm.

A known supporter of the arts, Mr Ong was awarded the Public Service Star in 2017 for his contribution to arts and heritage 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 2017. Mr Wee is a member of the Nominating Committee.

A career banker with more than 35 years of banking experience in the UOB Group, Mr Wee joined United Overseas Bank Limited of 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 Deputy President Commissioner of PT Bank UOB Indonesia.

Active in industry development, Mr Wee is a council member of The Association of Banks in Singapore, The Institute of Banking & Finance and the Indonesia-Singapore Business Council. He is a member of the Board of Governors of the Singapore-China Foundation, 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. Currently, he is the Chairman of UOB Asset Management (Malaysia) Berhad. He is also a director of UOB Cayman I Limited, United Investments Pte Ltd and Asia Alpha Fund. He was elected Fellow Chartered Banker by Asian Institute of Chartered Bankers in 2015. He holds a Bachelor of Commerce from the University of Toronto, Canada.

Mr Wong has 34 years of banking experience. He started his career with United Overseas Bank Limited of Singapore (UOB (Singapore)) in 1983, where he served for over 14 years. During his tenure with UOB (Singapore), Mr Wong held various management and senior positions in Consumer Banking, Corporate Banking and Commercial Banking. He was transferred to UOB (Malaysia) in 1997 where he was appointed as Head of Corporate and Commercial Banking and subsequently as Deputy CEO in 2003. In 2004, he was appointed as Director and Country CEO of United Overseas Bank (Thai) Public Company Limited, a position he held until his appointment as Director and CEO of UOB (Malaysia) in October 2012.

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 Chairman of Sunway Lagoon Club Berhad, Chairman of the Real Estate Housing Developers Association (REHDA) Institute, Chairman of the Malaysian REIT Managers Association (MRMA), a Director of Urban Hallmark Properties Sdn Bhd and Swissglade Sdn Bhd.

Prior to joining Sunway REIT Management Sdn Bhd, he was the Executive Director of Sunway City Berhad (now known as Sunway Berhad). He was the former Managing Director of AP Land Berhad.

Dato' Jeffrey Ng has also held various positions in non-governmental associations, among which he is the Patron & Past President of the REHDA. He was awarded REHDA Personality of 2015 for his contribution to the real estate industry. He was also 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 has been elected as the Chairperson of the meeting at the Risk Management Committee meetings held on 24 October 2017 and 23 January 2018.

Puan Fatimah also sits in IJM Plantations Berhad as Independent Director since 1 November 2017.

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 programme, as well as a group coach in the same programme. 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 Programme in Malaysia.

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

Corporate Information

SENIOR MANAGEMENT

Wong Kim Choong
Chief Executive Officer

Hendra Gunawan
Deputy Chief Executive Officer

Beh Soo Heng, Michael
Managing Director
Country Head, Global Markets

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

Ajeep Rassidi Bin Othman
Executive Director
Country Head, Credit - Middle Market

Beh Wee Khee
Executive Director
Country Head, Commercial Banking II

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

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

Chew Yee Lim, Lucas
Executive Director
Country Head, Transaction Banking

Chui Keng Leng, Raymond
Executive Director
Country Head, Business Banking

Kan Wing Yin
Executive Director
Country Head, Commercial Banking I

Lee Voon Seng
Executive Director
Country Head, Human Resources

Lim Jit Yang
Executive Director
Country Head, Corporate Banking II

Loke Chee Keen, Daniel
Executive Director
Country Head, Compliance

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

Lum Chee Onn
Executive Director
Country Head, Technology & Operations

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

Ng Ling Tee, Steven
Executive Director
Country Head, Specialised Financing

Nik Norishky Thani Bin Nik Hassan Thani
Executive Director
Country Head, Islamic Banking

Ong Kit Ping (Ms)
Executive Director
Country Head, Legal & Secretariat

Por Peng Seong, Alex
Executive Director
Country Head, Risk Management

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

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

Tan Tzu Hua, Lenz
Executive Director
Country Head, Credit - Retail

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

Yap Kok Tee
Executive Director
Country Head, Channels and Digitalisation

COMPANY SECRETARY
Ong Kit Ping

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

SHARE CAPITAL
Share capital: RM792,555,000

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

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

Branch Network

Federal Territory / Negeri Sembilan

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

Federal Territory

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

Bangsar Branch
Bangunan Bangsaria
45E, Jalan Maarof
Bangsar Baru
59100 Kuala Lumpur
Tel: 03-2283 9888
Fax: 03-2283 9898
Manager: Susan Ee Sook Sun

Medan Pasar Branch
Bangunan UOB, Medan Pasar
10-12, Medan Pasar
50050 Kuala Lumpur
Tel: 03-2772 8000
Fax: 03-2031 9387 / 03-2070 8058
Manager: 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: Wendy Yap Nyet Foong

Federal Territory / Selangor

Central Area II
2108, Jalan Meru
41050 Klang
Tel: 03-3361 2198
Fax: 03-3342 1135
Area Manager: 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
No 7, Jalan USJ 10/1
USJ Taipan Triangle
47620 UEP Subang Jaya
Tel: 03-5565 2000
Fax: 03-5631 8703
Manager: Georgina Tia Lee Ping

Selangor

Central Area III
1, Jalan SS21/58 , Ground Floor
Uptown 1, Damansara Uptown
47400 Petaling Jaya
Tel: 03-7724 3939
Fax: 03-7727 9325
Area Manager: Tan Guan Leong

Ampang Branch
495, Jalan Lima
Taman Ampang Utama
Jalan Ampang
68000 Ampang, Selangor
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, Selangor
Tel: 03-9106 2788
Fax: 03-9105 3281
Manager: Vanessa Yew Shok Leng

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: Joe Ng Weng Bu

Puchong Branch
6, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong
Tel: 03-8076 8989
Fax: 03-8076 8181
Manager: Kennedy Choo Wei Hong

Pahang / Terengganu / Kelantan

East Coast Area
2, Jalan Besar
25000 Kuantan
Tel: 09-516 1844
Fax: 09-513 8266
Area Manager: Liew Chai Kar

Pahang

Kuantan Branch
2, Jalan Besar
25000 Kuantan
Tel: 09-514 4155 / 09-516 1844 / 09-516 4755
Fax: 09-513 8266
Manager: Lim Chu Luan

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

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: Caryl Shim Weng Han

Pulau Pinang

Bukit Mertajam Branch
1, Jalan Tembikai
Taman Mutiara
14000 Bukit Mertajam
Tel: 04-548 8288
Fax: 04-530 3818
Manager: 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: Choo Kin Chuan

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: Goh Boon Siang

Melaka

Plaza Mahkota Branch
1, Jalan PM5
Plaza Mahkota
75000 Melaka
Tel: 06-283 8840 / 06-283 8841
Fax: 06-283 8868
Manager: Chan Chee Peng

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

Johor

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

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
8000 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: Yeow Kheng Leh

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

Taman Ponderosa Branch
Bangunan UOB
Ground Floor, No. 8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Tel: 07-360 6800
Fax: 07-355 3761
Manager: 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: Soo Shir Li

Sandakan Branch
2nd Avenue
90000 Sandakan
Tel: 089-212 028 / 089-217 833
Fax: 089-225 577
Acting Manager: Kelvin Lin Ket Yin

Tuaran Branch
9 & 10, Jalan Datuk Dusing
89208 Tuaran
Tel: 088-788 567
Fax: 088-788 979
Manager: Soo Shir Li

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

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2017

Governance

Corporate Governance

Board of Directors' Composition, Function and Conduct

The UOB (Malaysia) Board is 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 Bank Negara Malaysia (BNM)'s Guidelines on Corporate Governance and the Malaysian Code on Corporate Governance.

Board of Directors

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.

While the Board is collectively responsible as steward of the Bank, it recognises the efficiencies and benefits of specialisation. Hence, it has delegated certain duties to four Board Committees, namely the Nominating Committee (NC), Remuneration Committee (RC), Risk Management Committee (RMC) and Audit Committee (AC). Where appropriate, the Chief Executive Officer (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. The roles and responsibilities of each Board Committee are well-defined in their respective terms of reference. These are reviewed annually for continued relevance.

Board and Board Committee meetings are scheduled in advance and all directors are notified well before the start of the calendar year. When circumstances warrant it, ad-hoc meetings are held. To help directors access meeting materials as soon as they are available, papers are uploaded onto a secure portal, and directors can read from their tablet devices wherever they are.

All directors must notify the Bank in a timely manner of any change in interests or other appointments. Where a director has an interest in a matter being discussed, he/she is required to recuse himself/herself from the discussion and abstain from voting on the matter.

The Board meets at least four times a year. Directors' attendance at Board and Board Committee meetings in 2017 is set out in the table below.

	Number of meetings attended in 2017				
	Board of Directors	Nominating Committee	Remuneration Committee	Risk Management Committee	Audit Committee
Dr Wee Cho Yaw	2	1	1	N/A	N/A
Mr Ong Yew Huat *(Appointed to the Audit, Risk Management, Remuneration and Nominating Committees on 2 October 2017)*	7	1	1	1	1
Mr Wee Ee Cheong	7	4	N/A	N/A	N/A
Dato' Jeffrey Ng Tiong Lip	7	4	N/A	4	5^
Puan Fatimah Binti Merican	7	4^	2^	4	5
Mr Robert Kwan Koh Wah *(Retired on 2 October 2017)*	6	3	1	3^	4
Mr Wong Kim Choong	7	N/A	N/A	N/A	N/A
Number of meetings held in 2017	7	4	2	4	5

^ Chairman/Chairperson of Committee.

Corporate Governance (Continued)

The Board currently comprises six members. Annually, the NC assists the Board to review each director's independence according to the criteria in BNM's Guidelines on Corporate Governance. In its review for the current year, the NC concluded that the independent non-executive directors continue to demonstrate conduct and behaviour that are essential indicators of independence and that each of them continues to fulfil the definition of independence.

Mr Wong Kim Choong, the CEO of UOB (Malaysia), leads the management team and implements the Board's decisions. Assisted by Senior Management, the CEO bears executive responsibility for the Bank's day-to-day operations and business, including seeking business opportunities and ensuring the continued relevance, adequacy and effectiveness of the Bank's system of internal controls and risk management.

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 including governance and risk management practices, updates on laws and legislations, anti-money laundering requirements, Shariah governance and compliance requirements as well as the Bank's digital channels. 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.

Whenever a new director is appointed, he will, as part of the induction, meet with key senior executives and receive briefings on the key areas of the Bank's business and risk management. Each new director also receives an induction package which contains, among other materials, the articles of directorship which enumerate a director's general duties and obligations, the Board Charter, terms of reference of the Board Committees, and guidance on directors' duties and relevant company policies.

Directors have unfettered access to Senior Management, the external auditor and information for the purpose of carrying out their duties. Prior to a meeting, directors are provided with comprehensive and timely financial, risk management and operational reports for their deliberation and to enable them to make informed decisions. Senior executives are present at meetings to provide additional information or clarification as required. Where relevant, professional advisers may be invited to brief the Board or Board Committees.

Common membership in the Board Committees facilitates the sharing of information between relevant Board Committees and better coordination of the work among the Board Committees.

The Board is supported by the Secretariat team and has separate and independent access to the company secretary whose responsibilities include ensuring that Board procedures are adhered to, advising the Board on corporate governance matters, help the Board to monitor the execution of its decisions and facilitate communication between the Board and Senior Management. The company secretary also organises the induction of new directors and the directors' continuous development programme, and provides updates on applicable laws and regulations.

Whether individually or as a group, directors may seek independent professional advice in the course of discharging their duties at the Bank's expense.

Corporate Governance (Continued)

Board Committees

The NC, RC, RMC and AC have been constituted in accordance with BNM's Guidelines on Corporate Governance. The roles and duties of each Board Committee are explained further in this section.

Nominating Committee

The main responsibilities of the NC include reviewing nominations for appointment and re-appointments as well as removal of directors, Shariah Committee members, CEO and key senior management officers and the company secretary. NC also oversees the overall composition of the Board and Board Committees.

Each year, NC assesses the effectiveness of the Board and Board Committees, as well as contribution and performance of each director to the effectiveness of the Board. It assesses the independence of each director annually based on the criteria in BNM's Guidelines on Corporate Governance. In order to promote independent oversight by the Board, an independent director of the Bank shall hold office for a maximum of 6 years or such other term as the NC deems fit but shall not exceed a total of 9 years. The NC also assesses the performance of Shariah Committee members, CEO, key senior management officers and the company secretary.

NC also ensures all directors receive an appropriate continuous development programme and oversees succession plans for the Board, CEO and key senior management officers.

Remuneration Committee

The RC provides a formal and transparent procedure for developing remuneration policy for directors, Shariah Committee members, CEO and key senior management officers and ensuring that compensation is competitive and consistent with UOB (Malaysia)'s culture, objectives and strategy.

The RC also supports the Board actively in overseeing the design and operation of the Bank's remuneration system, and recommends framework of remuneration for directors, Shariah Committee members, CEO and key senior management officers for the Board's approval.

Risk Management Committee

The RMC 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, and to ensure that the risk management process is in place and functioning. It also reviews the Bank's framework in managing money laundering and terrorism financing risks.

RMC also examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the RC.

Audit Committee

The AC assists the Board by providing oversight of the Bank's financial reporting and the effectiveness and adequacy of the Bank's internal control system. It also reviews and updates the Board on all related party transactions, reviews the accuracy and adequacy of the chairman's statement in the directors' report, corporate governance disclosures and interim financial reports in relation to the preparation of financial statements.

The AC meets the external auditor to review the annual financial statements, nature and scope of the external audit and audit plan, significant changes in accounting standards and audit issues. The AC meets the external auditor separately in the absence of Management at least annually. In addition, the AC reviews the adequacy of the scope, functions and resources of the internal audit function in performing its duties independently. Significant audit findings are highlighted to the AC through audit reports and at the AC meetings. The AC also meets with the internal and external auditors as often as they deem appropriate to be apprised of matters which are under review.

Each quarter, the AC meets to review the financial statements before recommending them to the Board for approval. In reviewing the financial statements, the AC assesses the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements. AC meetings may involve discussions of accounting standards and accounting practices and developments, especially those that have an impact on the business of the Bank and its reporting obligations.

Another important duty of the AC is the review of fraud and whistleblowing cases reported to the Bank. Annually, the AC reviews the policy governing the management of whistleblowing cases.

Financial Reporting

In presenting the annual accounts and quarterly announcements, the Board is committed to present a balanced, clear and understandable assessment of the financial position and prospect of the Bank. The Board is assisted by the AC to oversee the Bank's financial reporting by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness. The Statement by Directors in respect of preparation of the annual audited financial statements of the Bank is set out on page 89.

Internal Controls

The Bank maintains an effective and well-established system of internal controls and risk management processes to ensure customers' interests and the Bank's assets are safeguarded. To meet this requirement, procedures and policies are in place to protect assets against unauthorised use or disposal; for maintaining proper accounting records; and for ensuring the reliability and usefulness of financial information.

The Bank's business units use various self-assessment tools to assess their compliance with internal controls, risk management processes and applicable regulations. The results of the self-assessments are regularly reviewed by Senior Management.

Internal Audit (IA) is responsible for evaluating and managing the adequacy and effectiveness of internal controls, and their level of compliance with applicable rules and regulations. The results of the evaluation are acknowledged by Senior Management and independently reported to the AC. The AC regularly reviews actions taken on lapses and deficiencies identified in reports prepared by the IA and management's responses to these recommendations to ensure lapses are dealt with adequately and promptly.

Based on the internal controls and risk management processes established and maintained by the Bank, the work performed by IA, and the reviews performed by Senior Management and the relevant Board Committees, the Board - with the concurrence of the AC and the RMC - is of the opinion that the Bank's systems of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2017.

The Board notes that no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud. UOB (Malaysia's) system of risk management and internal controls provides reasonable but not absolute assurance that the Bank will not be affected by any adverse event which may be reasonably foreseen.

Internal Audit

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

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

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

Remuneration Policy

UOB (Malaysia)'s Remuneration Policy sets out the principles and philosophies that we adopt to attract, motivate and retain a highly-skilled workforce, while encouraging behaviours that support the business objectives and strengthen the long-term financial strength of the Bank and the Group. The policy covers the remuneration of directors and employees.

The RC conducts regular reviews of the remuneration policy to ensure that compensation practices and programmes are consistent with regulatory requirements and are responsive to market developments.

Our Approach to Remuneration

The Bank's total compensation comprises two main components:

- Fixed pay which includes base salary and fixed allowances that are pegged to the market value of the job.
- Variable pay which rewards employees based on the performance of the Bank, business functions and an employee's individual performance. Variable pay comprises Performance Bonus and Executive Equity Plan (EEP).

We take a holistic view of various factors to determine and to ensure that an employee's total compensation is fair. This is done with the objectives to reward contributions, motivate and retain talents.

Performance-based variable pay is linked to the performance of the Bank, business functions and the employee's individual achievement of performance targets. The Bank's scorecard includes performance measures in three categories: financial outcomes, business drivers, and risk and reputation. Financial outcomes include performance metrics in terms of profitability and shareholders' return. Portfolio quality, risk and capital efficiency are key indicators measured under business drivers. Under risk and reputation, the Bank takes account of the Risk Appetite Statement output assessed by the Risk Management Committee. Any breach in Risk Appetite Statement may result in adjustment in the total variable for the year. The Bank's key performance indicators are cascaded to business functions accordingly and subsequently to individual employees.

The performance of each employee is evaluated based on a mix of performance objectives, competencies and behaviours that uphold the UOB Values. Variable pay of each employee is dependent and differentiated by the employee's performance at the end of every year.

Remuneration Governance

Control Functions

Employees in control functions, namely Risk Management, Audit, Credit and Compliance are compensated independently of the performance of the business lines or business units they oversee. Compensation for these employees is determined based on the overall performance of the Bank, the achievement of operational key performance indicators of the control functions and the performance of the individual employee.

In addition, the remunerations for the Chief Risk Officer and the Head of Internal Audit are approved by the RMC and the AC respectively.

Variable Pay Deferrals

UOB (Malaysia)'s variable pay deferral policy applies to all employees who receive a high variable pay. The objectives of the deferral policy are to align compensation payment schedules with the time horizon of risks and to encourage employees to focus on delivering sustainable long-term performance. Variable pay deferrals in the Bank comprise two elements – the awards made under the EEP and bonus deferrals.

1. The EEP is a long-term compensation component that is forward-looking, with rewards based on the Group's future performance. EEP award is granted to senior employees to ensure that a material portion of the employee's total compensation is deferred to encourage focus on the long-term objectives of the Bank and align the long-term interests of employees with that of shareholders. EEP awards are made in the form of performance-based restricted shares that will vest over two tranches of 30% and 70% at the end of second and third year respectively, contingent on the Group meeting long-term performance targets.
2. Under the variable pay deferral policy, all variable pay, including performance bonus and EEP awards, is subject to deferral ranging from 20% to 50% with the proportion of deferral increasing with the amount of variable pay received. Where the quantum of variable pay deferral exceeds the EEP awards granted, the excess will be deferred in the form of cash bonus deferral. Deferred bonus will vest equally over a period of three years, at a rate of 1/3 per year.

All deferrals are subject to the following guidelines:
- Forfeiture of unvested deferrals in the event of resignation or termination
- Enforcement of malus of unvested deferrals in cases of material misconduct, material restatement of financial results and bank-wide losses
- Clawback of paid deferrals in cases of material risks, financial misstatements, gross misconduct and malfeasance or fraud

Summary of 2017 Remuneration Outcomes

1. Breakdown of total remuneration for CEO for FY2017

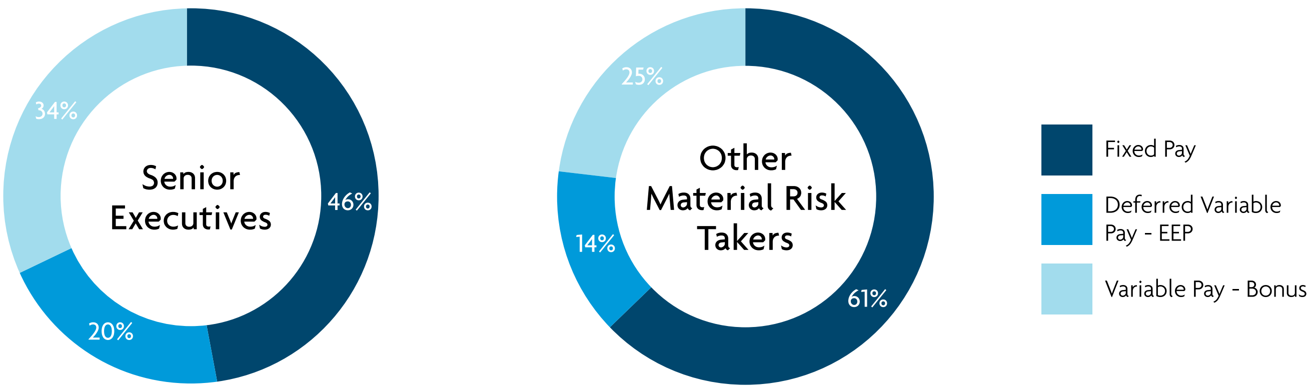
Name	Fixed Pay (RM'000)	Variable Pay – Unrestricted (RM'000)	Deferred Variable Pay – Bonus (RM'000)	Deferred Variable Pay – EEP (RM'000)
Wong Kim Choong	1,184	1,758	–	1,061

2. Breakdown of Remuneration Awarded to SEs and MRTs for FY2017

- Senior Executives (SEs) refers to the CEO and members of the Management Committee of Executive Director grade and higher. There were 18 Senior Executives in 2017.
- Material Risk Takers (MRTs) refers to employees with significant organisational responsibilities who have material impact on the Bank's performance and risk profile, and employees with high risk mandate. In addition to all SEs who were classified as MRTs, there were 10 other MRTs in 2017.

Summary of 2017 Remuneration Outcomes (Continued)

2. Breakdown of Remuneration Awarded to SEs and MRTs for FY2017 (Continued)



Total remuneration for FY2017 is RM25.5mil

Total remuneration for FY2017 is RM8.0mil

3. Guaranteed Bonuses, Sign-on Awards and Severance Payments for FY2017

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	1	0
Number of sign-on awards	2	0
Number of severance payments	0	0
Total amounts of above payments made for the financial year (RM'000)	522	0

4. Breakdown of Deferred Remuneration

Category	SEs	MRTs
Total amount of outstanding deferred remuneration		
Cash (RM'000)	0	0
Shares (RM'000)	16,809	4,468
Total amount of deferred remuneration paid in FY2017		
Cash (RM'000)	-	-
Shares (RM'000)	4,195	987
Outstanding deferred remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	100%	100%
Reductions in current year due to ex-post adjustments (explicit[1])	-	-
Reductions in current year due to ex-post adjustments (implicit[2])	-	-
Outstanding retained remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	-	-
Reductions in current year due to ex-post adjustments (explicit)	-	-
Reductions in current year due to ex-post adjustments (implicit)	-	-

1 Examples of explicit ex-post adjustments include malus, clawbacks or similar reversals or downward revaluations of awards.
2 Examples of implicit ex-post adjustments include fluctuations in the value of the shares or performance units.

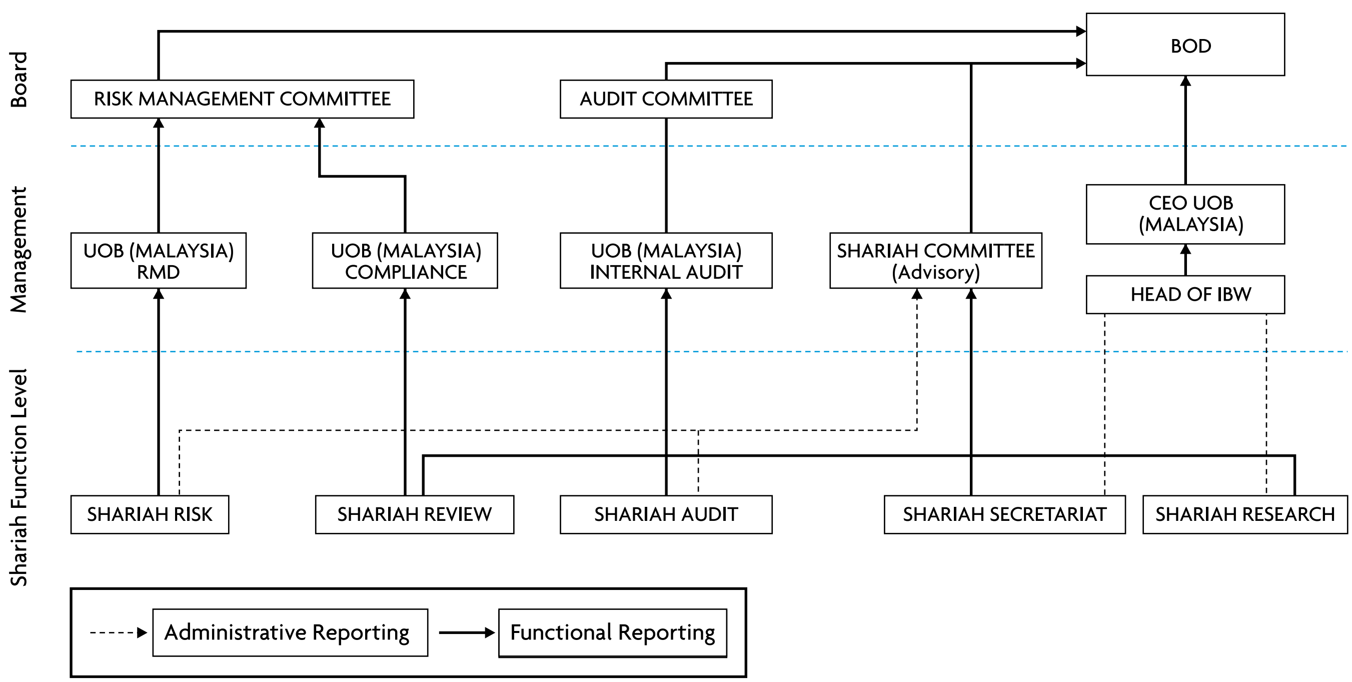
Corporate Governance (Continued)

Statement on Shariah Governance

The Bank has developed its Shariah Governance Framework (the Framework) with close adherence to Shariah Governance Framework (SGF) of BNM. The Framework establishes the minimum governance standards governing the directors, management, Shariah functions and Shariah Committee. Within this framework all parties are bound to exercise their duty of care and diligence to ensure the Bank's Islamic Banking business, operation and affairs are in compliance to Shariah principles.

The Framework is anchored by the Bank's Shariah Governance Structure as follows:

Shariah Governance Structure:



Corporate Governance (Continued)

Statement on Shariah Governance (Continued)

The Board of Directors is ultimately accountable and responsible on the overall Shariah governance structure and Shariah compliance of UOB (Malaysia). The Board must ensure that the Shariah governance structure adopted by UOB (Malaysia) commensurate with the size, complexity and nature of its business.

Shariah Committee (SC) with qualified members to advise the Bank and to perform an oversight role on Shariah matters in relation to the Bank's Islamic Banking business and operations. While the directors bear the ultimate responsibility and accountability on the overall governance of the Bank, the SC shall be responsible and accountable for all its decisions, views and opinions related to Shariah.

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

Meanwhile, Shariah Review is required to execute regular assessment on Shariah compliance relating to Islamic Banking Window activities and operation and to provide an independent examination and evaluation of the Bank's level of compliance to the Shariah principles as enunciated in the SC's decisions.

Shariah Risk on the other hand are bound to facilitate the process of identifying, measuring, controlling and monitoring Shariah non-compliance risks inherent in the Bank's related operations and activities in conjunction with the relevant business function coordinators. The structure requires Business and Support Unit to be responsible in identifying and managing the risk inherent in the products, services and activities which the unit is responsible for, with creation and enhancements of product structure and design as well as policies and operational process flow relating to products offered.

Finally Shariah Audit provides an independent assessment and objective assurance designed to add value and improve the degree of Shariah compliance in relation to the Bank's Islamic Banking operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance. The scope of Shariah Audit covers the bank's key Islamic Banking business activities and operation ranging from Shariah Governance process to financial statements.

On top of the above, the Management is responsible to provide adequate resources and capable manpower support to every function involved in the implementation of Shariah governance, in order to ensure end-to-end compliance to Shariah principles. The Management shall assume the duty of overseeing that the implementations of Shariah rulings issued by SC are managed by its various reporting lines and that the provisions in the Framework are complied with.

Pillar 3 Disclosure

United Overseas Bank (Malaysia) Bhd, in compliance with the requirements under Bank Negara Malaysia Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3), 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.

Effective July 2016, UOB (Malaysia) started to offer Islamic financial services under its Islamic Banking Window.

Scope of Application

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

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

Capital Adequacy

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

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

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

Two committees oversee our capital planning and assessment process. The Risk Management Committee assists the Board with the management of risks arising from the business of the Group while the Risk and Capital Committee manages the Group's ICAAP, overall risk profile and capital requirements. The Group's capital position, capital management plan, 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 2017 was as follows:

RM'000

Item	Exposure Class	Exposures Pre Credit Risk Mitigation (CRM)	Exposures Post Credit Risk Mitigation (CRM)	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk				
1.1	Exempted Exposures under the Standardised Approach (SA)				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	15,112,480	15,112,480	-	-
	Insurance Cos, Securities Firms and Fund Managers	22,226	-	-	-
	Corporates	836,392	834,169	833,901	66,712
	Other Assets	692,707	692,707	570,294	45,624
	Defaulted Exposures	10,742	10,742	16,112	1,289
	Total On-Balance Sheet Exposures	**16,674,547**	**16,650,098**	**1,420,307**	**113,625**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2017 was as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.1	Exempted Exposures under the Standardised Approach (SA) (Continued)				
	Off-Balance Sheet Exposures				
	OTC Derivatives	208,684	208,684	117,834	9,427
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	112,604	111,620	99,518	7,961
	Total Off-Balance Sheet Exposures	**321,288**	**320,304**	**217,352**	**17,388**
	Total On and Off-Balance Sheet Exposures (SA)	**16,995,835**	**16,970,402**	**1,637,659**	**131,013**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-Balance Sheet Exposures				
	Banks, DFIs and MDBs	7,440,557	6,625,751	938,570	75,086
	Corporates	27,527,264	23,441,427	24,408,403	1,952,672
	Equity (Simple Risk Weight)	140,516	140,516	559,495	44,760
	Defaulted Exposures	740,193	713,673	26	2
	Total On-Balance Sheet Exposures	**35,848,530**	**30,921,367**	**25,906,494**	**2,072,520**
	Off-Balance Sheet Exposures				
	OTC Derivatives	1,482,456	1,478,991	716,117	57,289
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	9,464,533	8,482,571	8,127,308	650,185
	Defaulted Exposures	21,649	20,948	-	-
	Total Off-Balance Sheet Exposures	**10,968,638**	**9,982,510**	**8,843,425**	**707,474**
	Total On and Off-Balance Sheet Exposures (FIRB)	**46,817,168**	**40,903,877**	**34,749,919**	**2,779,994**
1.3	Exposures under the Advance IRB Approach (AIRB)				
	On-Balance Sheet Exposures				
	Corporates	50,211	50,211	23,292	1,863
	Residential Mortgages	31,760,428	31,760,428	3,228,804	258,304
	Qualifying Revolving Retail	2,517,372	2,517,372	971,548	77,724
	Other Retail	15,796,069	15,796,069	2,774,482	221,958
	Defaulted Exposures	656,623	656,623	740,547	59,244
	Total On-Balance Sheet Exposures	**50,780,703**	**50,780,703**	**7,738,673**	**619,093**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2017 was as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.3	Exposures under the Advance IRB Approach (AIRB) (Continued)				
	Off-Balance Sheet Exposures				
	OTC Derivatives	3,867	3,867	3,799	304
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	9,930,000	9,930,000	1,281,633	102,531
	Defaulted Exposures	512	512	754	60
	Total Off-Balance Sheet Exposures	9,934,379	9,934,379	1,286,186	102,895
	Total On and Off-Balance Sheet Exposures (AIRB)	60,715,082	60,715,082	9,024,859	721,988
	Total Exposures under IRB Approach	107,532,250	101,618,959	43,774,778	3,501,982
	Total (Exempted Exposures and Exposures under the IRB Approach) after Scaling Factor	-	-	48,038,923	3,843,114
2.0	Large Exposures Risk Requirement	-	-	-	-
3.0	Market Risk	Long Position	Short Position		
	Interest Rate Risk	66,144,843	64,315,064	659,157	52,733
	Foreign Currency Risk	256,715	442,915	213,591	17,087
	Commodity Risk	173,597	173,600	66,250	5,300
	Options Risk	-	-	47,264	3,781
4.0	Operational Risk (Basic Indicator Approach)			5,242,469	419,398
5.0	Total RWA and Capital Requirements			54,267,654	4,341,413

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2016 was as follows:

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk				
1.1	Exempted Exposures under the Standardised Approach (SA)				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	17,348,496	17,348,496	-	-
	Insurance Cos, Securities Firms and Fund Managers	13,085	68	68	6
	Corporates	801,334	799,311	799,075	63,926
	Other Assets	784,550	784,550	665,917	53,273
	Defaulted Exposures	8,042	8,042	12,062	965
	Total On-Balance Sheet Exposures	**18,955,507**	**18,940,467**	**1,477,122**	**118,170**
	Off-Balance Sheet Exposures				
	OTC Derivatives	344,054	344,054	195,090	15,607
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	145,996	144,980	137,466	10,997
	Total Off-Balance Sheet Exposures	**490,050**	**489,034**	**332,556**	**26,604**
	Total On and Off-Balance Sheet Exposures (SA)	**19,445,557**	**19,429,501**	**1,809,678**	**144,774**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-Balance Sheet Exposures				
	Banks, DFIs and MDBs	5,572,921	5,572,921	1,064,291	85,143
	Corporates	27,653,372	23,335,956	24,711,738	1,976,939
	Equity (Simple Risk Weight)	126,021	126,021	501,191	40,096
	Defaulted Exposures	674,373	649,925	-	-
	Total On-Balance Sheet Exposures	**34,026,687**	**29,684,823**	**26,277,220**	**2,102,178**
	Off-Balance Sheet Exposures				
	OTC Derivatives	1,284,887	1,278,115	624,322	49,946
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	9,241,956	8,265,721	8,073,194	645,855
	Defaulted Exposures	23,645	21,128	-	-
	Total Off-Balance Sheet Exposures	**10,550,488**	**9,564,964**	**8,697,516**	**695,801**
	Total On and Off-Balance Sheet Exposures (FIRB)	**44,577,175**	**39,249,787**	**34,974,736**	**2,797,979**

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Bank for the financial year ended 31 December 2016 was as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)				
1.3	Exposures under the Advance IRB Approach (AIRB)				
	On-Balance Sheet Exposures				
	Corporates	32,286	32,286	17,198	1,376
	Residential Mortgages	29,939,234	29,939,234	3,045,946	243,676
	Qualifying Revolving Retail	2,377,189	2,377,189	920,884	73,671
	Other Retail	15,531,334	15,531,334	2,686,449	214,916
	Defaulted Exposures	602,594	602,594	689,966	55,197
	Total On-Balance Sheet Exposures	48,482,637	48,482,637	7,360,443	588,836
	Off-Balance Sheet Exposures				
	OTC Derivatives	5,984	5,984	4,358	349
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	9,618,905	9,618,905	1,230,541	98,443
	Defaulted Exposures	135	135	216	17
	Total Off-Balance Sheet Exposures	9,625,024	9,625,024	1,235,115	98,809
	Total On and Off-Balance Sheet Exposures (AIRB)	58,107,661	58,107,661	8,595,558	687,645
	Total Exposures under IRB Approach	102,684,836	97,357,448	43,570,294	3,485,624
	Total (Exempted Exposures and Exposures under the IRB Approach) after Scaling Factor	-	-	47,994,189	3,839,535
2.0	Large Exposures Risk Requirement	-	-	-	-
3.0	Market Risk	Long Position	Short Position		
	Interest Rate Risk	55,301,677	53,057,601	786,892	62,951
	Foreign Currency Risk	295,589	299,852	27,261	2,181
	Commodity Risk	198,588	169,400	129,380	10,350
	Options Risk	-	-	23,645	1,892
4.0	Operational Risk (Basic Indicator Approach)			4,980,184	398,415
5.0	Total RWA and Capital Requirements			53,941,551	4,315,324

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the financial year ended 31 December 2017 was as follows:

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	RWA Absorbed by PSIA	Total RWA after effects of PSIA	Minimum Capital Requirement at 8%
1.0	Credit Risk						
1.1	Exempted Exposures under the Standardised Approach (SA)						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	200,846	200,846	-	-	-	-
	Other Assets	175	175	175	-	175	14
	Total On-Balance Sheet Exposures	201,021	201,021	175	-	175	14
	Total On and Off-Balance Sheet Exposures (SA)	201,021	201,021	175	-	175	14
1.2	Exposures under the Foundation IRB Approach (FIRB)						
	On-Balance Sheet Exposures						
	Banks, DFIs and MDBs	13,757	13,757	1,275	-	1,275	102
	Corporates	214,485	213,470	221,430	-	221,430	17,714
	Total On-Balance Sheet Exposures	228,242	227,227	222,705	-	222,705	17,816
	Off-Balance Sheet Exposures						
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	72,132	71,553	116,232	-	116,232	9,299
	Total Off-Balance Sheet Exposures	72,132	71,553	116,232	-	116,232	9,299
	Total On and Off-Balance Sheet Exposures (FIRB)	300,374	298,780	338,937	-	338,937	27,115

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the financial year ended 31 December 2017 was as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	RWA Absorbed by PSIA	Total RWA after effects of PSIA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)						
1.3	Exposures under the Advance IRB Approach (AIRB)						
	On-Balance Sheet Exposures						
	Residential Mortgages	354,450	354,450	77,771	-	77,771	6,222
	Other Retail	282,590	282,590	70,760	-	70,760	5,661
	Defaulted Exposures	703	703	4	-	4	-
	Total On-Balance Sheet Exposures	637,743	637,743	148,535	-	148,535	11,883
	Off-Balance Sheet Exposures						
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	312,945	312,945	62,630	-	62,630	5,010
	Total Off-Balance Sheet Exposures	312,945	312,945	62,630	-	62,630	5,010
	Total On and Off-Balance Sheet Exposures (AIRB)	950,688	950,688	211,165	-	211,165	16,893
	Total Exposures under IRB Approach	1,251,062	1,249,468	550,102	-	550,102	44,008
	Total (Exempted Exposures and Exposures under the IRB Approach) after Scaling Factor	-	-	583,283	-	583,283	46,663
2.0	Large Exposures Risk Requirement	-	-	-	-	-	-
3.0	Market Risk	Long Position	Short Position				
	Interest Rate Risk	-	-	-	-	-	-
	Foreign Currency Risk	-	-	-	-	-	-
	Commodity Risk	-	-	-	-	-	-
	Options Risk	-	-	-	-	-	-
4.0	Operational Risk (Basic Indicator Approach)			26,768	-	26,768	2,141
5.0	Total RWA and Capital Requirements			610,051	-	610,051	48,804

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the financial year ended 31 December 2016 was as follows:

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	RWA Absorbed by PSIA	Total RWA after effects of PSIA	Minimum Capital Requirement at 8%
1.0	Credit Risk						
1.1	Exempted Exposures under the Standardised Approach (SA)						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	792,096	792,096	-	-	-	-
	Other Assets	88	88	88	-	88	7
	Total On-Balance Sheet Exposures	792,184	792,184	88	-	88	7
	Total On and Off-Balance Sheet Exposures (SA)	792,184	792,184	88	-	88	7
1.2	Exposures under the Foundation IRB Approach (FIRB)						
	On-Balance Sheet Exposures						
	Banks, DFIs and MDBs	49	49	5	-	5	1
	Corporates	100,062	100,062	87,829	-	87,829	7,026
	Total On-Balance Sheet Exposures	100,111	100,111	87,834	-	87,834	7,027
	Total On and Off-Balance Sheet Exposures (FIRB)	100,111	100,111	87,834	-	87,834	7,027
1.3	Exposures under the Advance IRB Approach (AIRB)						
	On-Balance Sheet Exposures						
	Residential Mortgages	330	330	78	-	78	6
	Other Retail	4,323	4,323	2,278	-	2,278	182
	Total On-Balance Sheet Exposures	4,653	4,653	2,356	-	2,356	188
	Off-Balance Sheet Exposures						
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	718	718	152	-	152	12
	Total Off-Balance Sheet Exposures	718	718	152	-	152	12
	Total On and Off-Balance Sheet Exposures (AIRB)	5,371	5,371	2,508	-	2,508	200

Capital Adequacy (Continued)

The aggregate breakdown of RWA by exposures in each category of the Islamic Banking Window for the financial year ended 31 December 2016 was as follows (Continued):

RM'000

Item	Exposure Class	Exposures Pre CRM	Exposures Post CRM	RWA	RWA Absorbed by PSIA	Total RWA after effects of PSIA	Minimum Capital Requirement at 8%
1.0	Credit Risk (Continued)						
	Total Exposures under IRB Approach	105,482	105,482	90,342	-	90,342	7,227
	Total (Exempted Exposures and Exposures under the IRB Approach) after Scaling Factor	-	-	95,851	-	95,851	7,668
2.0	Large Exposures Risk Requirement	-	-	-	-	-	-
3.0	Market Risk	Long Position	Short Position				
	Interest Rate Risk	-	-	-	-	-	-
	Foreign Currency Risk	-	-	-	-	-	-
	Commodity Risk	-	-	-	-	-	-
	Options Risk	-	-	-	-	-	-
4.0	Operational Risk (Basic Indicator Approach)			9,139	-	9,139	731
5.0	Total RWA and Capital Requirements			104,990	-	104,990	8,399

Capital Structure

The Bank, on 30 August 2013 issued RM500 million subordinated bonds at 4.55% p.a., maturing on 29 August 2023. Subsequently the Bank, on 8 May 2015 issued RM1 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 the main features of the subordinated bonds, please refer to Note 18 in the financial statements.

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia (BNM)'s Capital Adequacy Framework (Capital Components) and Basel II - Risk-Weighted Assets Framework.

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	470,000	792,555	470,000
Share premium	-	322,555	-	322,555
Retained profits	8,261,176	7,032,664	8,335,026	7,097,119
Statutory reserve	-	470,000	-	470,000
Other reserves	247,773	203,765	94,135	50,127
Regulatory adjustments applied in the calculation of CET1 Capital	(314,140)	(252,852)	(276,492)	(118,238)
Total CET1/Tier 1 Capital	8,987,364	8,246,132	8,945,224	8,291,563
Tier 2 Capital				
Tier 2 Capital instruments	1,500,000	1,500,000	1,500,000	1,500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	277,701	277,107	278,408	277,107
- Collective impairment provisions	29,883	26,357	20,470	22,621
Regulatory adjustments applied in the calculation of Tier 2 Capital	70,762	68,111	(26,712)	(5,425)
Total Tier 2 Capital	1,878,346	1,871,575	1,772,166	1,794,303
Total Capital	10,865,710	10,117,707	10,717,390	10,085,866

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

	Group		Bank	
	2017	2016	2017	2016
CET1/Tier 1 ratio	16.373%	15.205%	16.484%	15.371%
Total Capital	19.795%	18.656%	19.749%	18.698%
CET1/Tier 1 ratio (net of proposed dividends)	15.532%	14.494%	15.633%	14.656%
Total Capital (net of proposed dividends)	18.954%	17.945%	18.899%	17.982%

Capital Structure (Continued)

The capital adequacy ratios of Islamic Banking Window are computed in accordance with the BNM's Capital Adequacy Framework for Islamic Banking (Capital Components) and Basel II - Risk-Weighted Assets Framework for Islamic Banking.

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

	2017 RM'000	2016 RM'000
<u>Common Equity Tier 1 (CET1)/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Accumulated losses	(518)	(406)
Other reserves	(81)	(353)
Regulatory adjustments applied in the calculation of CET1 Capital	(144)	(175)
Total CET1/Tier 1 Capital	449,257	449,066
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	1,523	-
- Collective impairment provisions	2	-
Total Tier 2 Capital	1,525	-
Total Capital	450,782	449,066

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

	2017	2016
CET1/Tier 1 ratio	73.643%	427.722%
Total Capital	73.893%	427.722%

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 Risk Management Committee (RMC).

The Bank has established senior management committees to assist in making business decisions with due consideration to risks and returns. The main senior management committees involved in this are the Executive Committee (EXCO), Management Committee (MC), Asset and Liability Committee (ALCO), In-Country Credit Committee (ICCC), Technology and 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 objective of establishing a risk appetite framework is not to limit risk-taking but to ensure that the Bank's risk profile remains within well-defined and tolerable boundaries. The framework was formulated based on the following key criteria:

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

The risk appetite defines suitable thresholds and limits across key areas including but not limited to credit risk, country risk, market risk, liquidity risk, operational risk and reputation risk. Our risk-taking approach focuses on businesses which we understand and are well equipped to manage the risk involved. Through this approach, we aim to minimise earnings volatility and concentration risk and ensure that our high credit rating, strong capital and funding base remain intact. This allows us to be a stable partner with our customers through changing economic conditions and cycles.

The Bank's risk appetite framework is updated and approved annually by the Board. Senior management monitors and reports the risk limits to the Board.

Basel Framework

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

The Bank has adopted the Foundation Internal Ratings-Based (FIRB) approach for its non-retail exposures and the Advanced Internal Ratings-Based (AIRB) approach for its retail exposures. For market 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 Internal Capital Adequacy Assessment Process (ICAAP) to assess on an ongoing basis the amount of capital necessary to support its activities. The ICAAP is reviewed periodically to ensure that the Bank remains well-capitalised after considering all material risks. Stress 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 Governance and Organisation

The Credit Working Group (CWG), ICCC and EXCO are the key oversight committees for credit risk and support the CEO and RMC in managing the Bank's overall credit risk exposures. The committees serve as the executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and systems. The CWG, ICCC and EXCO also review and assess the Bank's credit portfolios and credit risk profiles.

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

Credit Risk Policies and Processes

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

i. **Credit Approval Process**
To maintain the independence and integrity of the credit approval process, the credit origination and approval functions are clearly segregated. Credit approval authority is delegated to officers based on their experience, seniority and track record, and credit approval is based on a 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 business environment.

ii. **Credit Concentration Risk**
Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. This is managed by setting exposure limits on 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. The Bank also manages its country risk exposures within an established framework that involves setting limits for each country. Such limits are based on the country's risk rating, economic potential measured by its gross domestic product and the Bank's business strategy. Regular assessments of emerging risks and in-depth reviews of industry trends are performed to provide a forward-looking view on developments that could impact the Bank's portfolio.

iii. **Credit Stress Test**
Credit stress testing is a core component of the Bank's credit portfolio management process. Various regulatory and internal stress tests are conducted periodically. The main purpose of credit stress testing is to provide a forward-looking assessment of the Bank's credit portfolio under adverse economic scenarios. Under stress scenarios such as a severe recession, significant losses from the credit portfolio may occur. Stress tests are used to assess if the Bank's capital can withstand such losses and their impact on profitability and balance sheet quality. Stress tests also help us to identify the vulnerability of various business units and would enable us to formulate appropriate mitigating actions.

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

iv. **Credit Monitoring and Remedial Management**
The Bank regularly monitors credit exposures, portfolio performance and emerging risks that may impact its credit risk profile. The Board and senior management are updated on credit trends through internal risk reports, so that mitigating actions can be taken if necessary.

v. **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.

Credit Risk (Continued)

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 the Bank's Policy. Any account which is delinquent (or in excess for a revolving credit facility such as an overdraft) for more than 90 days will be categorised automatically as 'Non-Performing'. In addition, any account that exhibits weaknesses which 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.

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

Write-Off Policy

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

Credit Risk (Continued)

(i) The Credit Exposures by Sector of the Bank for the financial year ended 31 December 2017 were as follows:

	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry and Fishing	-	-	-	-	1,251,124	44,859	-	-	-	1,295,983
Mining and Quarrying	-	-	1,030,615	-	235,940	6,724	-	-	-	1,273,279
Manufacturing	-	-	66,200	-	6,184,011	1,324,791	-	-	-	7,575,002
Electricity, Gas and Water	-	-	-	-	215,335	9,000	-	-	-	224,335
Construction	-	-	-	-	12,774,324	457,015	-	-	-	13,231,339
Wholesale, Retail Trade, Restaurants and Hotels	-	-	7,548	-	8,191,329	3,965,350	-	-	-	12,164,227
Transport, Storage and Communication	-	-	-	-	1,464,826	180,796	-	-	-	1,645,622
Finance, Insurance and Business Services	502	-	3,915,558	118,315	2,716,549	746,097	-	-	-	7,497,021
Real Estate	-	-	-	-	4,007,600	740,936	-	-	-	4,748,536
Community, Social and Personal Services	-	-	-	-	57,335	131,535	-	-	-	188,870
Households	-	-	-	-	-	18,002,833	35,026,181	-	-	53,029,014
Others	15,157,299	43,065	3,874,156	-	1,734,399	53	-	140,516	705,369	21,654,857
Grand Total	15,157,801	43,065	8,894,077	118,315	38,832,772	25,609,989	35,026,181	140,516	705,369	124,528,085

(ii) The Credit Exposures by Remaining Contractual Maturities of the Bank for the financial year ended 31 December 2017 were as follows:

	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
‹ 3 Months	7,914,599	12,931	6,717,045	57,535	10,111,185	764,419	17,199	-	29,949	25,624,862
3 - 6 Months	3,044	4,566	62,399	9,597	2,369,214	170,483	3,657	-	-	2,622,960
6 - 12 Months	141,831	25,568	235,353	17,375	3,131,426	7,290,201	1,572,148	-	882	12,414,784
1 - 3 Years	4,400,891	-	1,502,388	28,214	10,311,276	2,507,064	102,075	140,516	674,538	19,666,962
3 - 5 Years	2,139,792	-	351,733	5,485	7,422,383	438,258	269,360	-	-	10,627,011
› 5 Years	557,644	-	25,159	109	5,487,288	14,439,564	33,061,742	-	-	53,571,506
Grand Total	15,157,801	43,065	8,894,077	118,315	38,832,772	25,609,989	35,026,181	140,516	705,369	124,528,085

Credit Risk (Continued)

(i) The Credit Exposures by Sector of the Bank for the financial year ended 31 December 2016 were as follows:

	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Agriculture, Hunting, Forestry and Fishing	-	-	4,686	-	1,246,812	52,815	-	-	-	1,304,313
Mining and Quarrying	-	-	1,828,668	-	258,699	7,694	-	-	-	2,095,061
Manufacturing	-	-	47,169	-	5,525,329	1,324,568	-	-	-	6,897,066
Electricity, Gas and Water	-	-	-	-	115,479	9,447	-	-	-	124,926
Construction	-	-	-	-	13,055,569	418,562	-	-	-	13,474,131
Wholesale, Retail Trade, Restaurants and Hotels	-	-	11,758	-	8,800,472	4,050,939	-	-	-	12,863,169
Transport, Storage and Communication	-	-	-	-	1,566,614	163,027	-	-	-	1,729,641
Finance, Insurance and Business Services	55,957	-	5,101,296	169,810	2,941,879	703,574	-	-	-	8,972,516
Real Estate	-	-	-	-	4,877,091	799,707	-	-	-	5,676,798
Community, Social and Personal Services	-	-	-	-	45,393	133,882	-	-	-	179,275
Households	-	-	-	-	6	17,198,782	33,183,335	-	-	50,382,123
Others	17,292,539	165,119	-	-	27,256	59	-	126,021	820,380	18,431,374
Grand Total	17,348,496	165,119	6,993,577	169,810	38,460,599	24,863,056	33,183,335	126,021	820,380	122,130,393

(ii) The Credit Exposures by Remaining Contractual Maturities of the Bank for the financial year ended 31 December 2016 were as follows:

	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
< 3 Months	11,408,041	32,136	4,427,097	17,609	9,234,237	652,478	18,444	-	-	25,790,042
3 - 6 Months	-	31,421	184,360	7,478	1,939,233	158,819	3,440	-	-	2,324,751
6 - 12 Months	10,004	101,562	202,350	3,382	3,052,168	6,482,548	1,551,886	-	-	11,403,900
1 - 3 Years	3,551,186	-	1,861,255	137,839	10,631,740	2,590,113	100,218	126,021	820,380	19,818,752
3 - 5 Years	1,584,399	-	263,750	3,474	7,280,702	381,319	273,198	-	-	9,786,842
> 5 Years	794,866	-	54,765	28	6,322,519	14,597,779	31,236,149	-	-	53,006,106
Grand Total	17,348,496	165,119	6,993,577	169,810	38,460,599	24,863,056	33,183,335	126,021	820,380	122,130,393

Credit Risk (Continued)

(i) The Credit Exposures by Sector of the Islamic Banking Window for the financial year ended 31 December 2017 were as follows:

	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Manufacturing	-	-	-	-	35,651	32,411	-	-	-	68,062
Electricity, Gas and Water	-	-	-	-	54,631	-	-	-	-	54,631
Construction	-	-	-	-	39,682	13,890	-	-	-	53,572
Wholesale, Retail Trade, Restaurants and Hotels	-	-	-	-	61,824	91,914	-	-	-	153,738
Transport, Storage and Communication	-	-	-	-	10,023	15,861	-	-	-	25,884
Finance, Insurance and Business Services	503	-	13,757	-	38,530	27,421	-	-	-	80,211
Real Estate	-	-	-	-	46,276	18,172	-	-	-	64,448
Community, Social and Personal Services	-	-	-	-	-	3,664	-	-	-	3,664
Households	-	-	-	-	-	254,170	493,184	-	-	747,354
Others	200,343	-	-	-	-	-	-	-	175	200,518
Grand Total	200,846	-	13,757	-	286,617	457,503	493,184	-	175	1,452,082

(ii) The Credit Exposures by Remaining Contractual Maturities of the Islamic Banking Window for the financial year ended 31 December 2017 were as follows:

	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
‹ 3 Months	162,115	-	-	-	76,251	-	-	-	-	238,366
3 - 6 Months	-	-	-	-	5,330	-	-	-	-	5,330
6 - 12 Months	-	-	-	-	6,799	-	-	-	-	6,799
1 - 3 Years	38,731	-	13,757	-	20,036	52	-	-	175	72,751
3 - 5 Years	-	-	-	-	108,185	88	-	-	-	108,273
› 5 Years	-	-	-	-	70,016	457,363	493,184	-	-	1,020,563
Grand Total	200,846	-	13,757	-	286,617	457,503	493,184	-	175	1,452,082

Credit Risk (Continued)

(i) The Credit Exposures by Sector of the Islamic Banking Window for the financial year ended 31 December 2016 were as follows:

	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
Construction	-	-	-	-	100,062	4,270	-	-	-	104,332
Finance, Insurance and Business Services	2,427	-	49	-	-	-	-	-	-	2,476
Households	-	-	-	-	-	361	740	-	-	1,101
Others	789,669	-	-	-	-	-	-	-	88	789,757
Grand Total	792,096	-	49	-	100,062	4,631	740	-	88	897,666

(ii) The Credit Exposures by Remaining Contractual Maturities of the Islamic Banking Window for the financial year ended 31 December 2016 were as follows:

	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Equity Exposures RM'000	Other Assets RM'000	Grand Total RM'000
‹ 3 Months	-	-	-	-	-	-	-	-	-	-
3 - 6 Months	-	-	-	-	-	-	-	-	-	-
6 - 12 Months	-	-	-	-	-	-	-	-	-	-
1 - 3 Years	792,096	-	49	-	100,062	-	-	-	88	892,295
3 - 5 Years	-	-	-	-	-	-	-	-	-	-
› 5 Years	-	-	-	-	-	4,631	740	-	-	5,371
Grand Total	792,096	-	49	-	100,062	4,631	740	-	88	897,666

Credit Risk (Continued)

(iii) Past Due and Impaired Loans analysed by Industry:

The Bank	2017 Past Due but not Impaired RM'000	2017 Impaired Loans RM'000	2016 Past Due but not Impaired RM'000	2016 Impaired Loans RM'000
Agriculture, Hunting, Forestry and Fishing	1,784	11,161	4,305	14,255
Mining and Quarrying	2,013	-	2,579	-
Manufacturing	341,447	140,079	214,907	134,662
Electricity, Gas and Water	1,983	-	18,481	-
Construction	484,167	138,526	813,722	162,417
Wholesale, Retail Trade, Restaurants and Hotels	469,093	133,802	274,376	126,630
Transport, Storage and Communication	7,866	142,836	7,802	99,836
Finance, Insurance and Business Services	35,406	127,092	33,479	138,881
Real Estate	226,457	121,485	250,293	47,759
Community, Social and Personal Services	2,721	737	2,990	953
Households				
- purchase of residential properties	1,084,720	381,318	1,100,148	359,551
- purchase of non-residential properties	376,784	60,201	256,317	46,064
- others	179,922	93,182	177,369	95,339
	3,214,363	1,350,419	3,156,768	1,226,347

Islamic Banking Window	2017 Past Due but not Impaired RM'000	2017 Impaired Loans RM'000	2016 Past Due but not Impaired RM'000	2016 Impaired Loans RM'000
Households				
- purchase of residential properties	7,345	703	-	-
- others	43	-	-	-
	7,388	703	-	-

Credit Risk (Continued)

(iv) Individual and Collective Impairment Provisions analysed by Industry:

The Bank	2017 Individual Impairment RM'000	2017 Collective Impairment RM'000	2016 Individual Impairment RM'000	2016 Collective Impairment RM'000
Agriculture, Hunting, Forestry and Fishing	-	35,474	448	15,406
Mining and Quarrying	-	2,814	-	3,815
Manufacturing	58,480	179,166	58,437	198,300
Electricity, Gas and Water	-	5,354	-	3,582
Construction	29,415	191,160	44,670	133,803
Wholesale, Retail Trade, Restaurants and Hotels	26,529	232,089	30,356	192,325
Transport, Storage and Communication	37,439	32,408	558	44,586
Finance, Insurance and Business Services	106,999	77,893	50,066	112,731
Real Estate	1,984	134,010	1,859	144,638
Community, Social and Personal Services	13	2,989	65	2,407
Households				
- purchase of residential properties	27,549	169,557	25,124	123,570
- purchase of non-residential properties	4,643	45,554	4,537	47,601
- others	17,092	120,389	17,550	102,284
	310,143	1,228,857	233,670	1,125,048

Islamic Banking Window	2017 Individual Impairment RM'000	2017 Collective Impairment RM'000	2016 Individual Impairment RM'000	2016 Collective Impairment RM'000
Manufacturing	-	1,088	-	-
Construction	-	1,999	-	80
Wholesale, Retail Trade, Restaurants and Hotels	-	2,881	-	-
Transport, Storage and Communication	-	263	-	-
Finance, Insurance and Business Services	-	360	-	-
Real Estate	-	956	-	-
Community, Social and Personal Services	-	47	-	-
Households				
- purchase of residential properties	201	1,064	-	-
- purchase of non-residential properties	-	84	-	-
- others	-	105	-	-
Others	-	8	-	-
	201	8,855	-	80

Credit Risk (Continued)

(v) Charges and Write-Offs for Individual Impairment Provisions analysed by Industry:

The Bank	2017 Individual Impairment made during the year RM'000	2017 Write-offs during the year RM'000	2016 Individual Impairment made during the year RM'000	2016 Write-offs during the year RM'000
Agriculture, Hunting, Forestry and Fishing	-	-	448	-
Mining and Quarrying	-	-	-	-
Manufacturing	27,658	6,681	48,563	23,666
Electricity, Gas and Water	-	-	-	-
Construction	16,062	18,982	16,990	-
Wholesale, Retail Trade, Restaurants and Hotels	27,605	16,641	32,241	9,185
Transport, Storage and Communication	44,875	359	1,093	690
Finance, Insurance and Business Services	70,801	4,815	47,978	460
Real Estate	4,687	2,183	1,383	219
Community, Social and Personal Services	18	10	3,083	23
Households				
- purchase of residential properties	53,861	14,772	31,771	6,909
- purchase of non-residential properties	5,512	1,644	5,805	722
- others	81,577	62,178	86,466	84,736
	332,656	128,265	275,821	126,610

Islamic Banking Window	2017 Individual Impairment made during the year RM'000	2017 Write-offs during the year RM'000	2016 Individual Impairment made during the year RM'000	2016 Write-offs during the year RM'000
Household				
- purchase of residential properties	204	-	-	-
	204	-	-	-

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)

(vi) Movements in Allowance for Losses on Loans, Advances and Financing were as follows:

The Bank	2017	2016
	RM'000	RM'000
Collective Impairment		
Balance as at 1 January	1,125,048	1,019,498
Allowance made during the year	103,809	105,550
Balance as at 31 December	1,228,857	1,125,048
Individual Impairment		
Balance as at 1 January	233,670	183,854
Allowance made during the year	332,656	275,821
Amount written-back in respect of recoveries	(119,569)	(91,718)
Amount written-off	(128,265)	(126,610)
Interest recognition on impaired loans	(7,016)	(6,885)
Other adjustment	(1,333)	(792)
Balance as at 31 December	310,143	233,670

Islamic Banking Window	2017	2016
	RM'000	RM'000
Collective Impairment		
Balance as at 1 January/14 July	80	-
Impairment loss made during the financial year/period	8,775	80
Balance as at 31 December	8,855	80
Individual Impairment		
Balance as at 1 January	-	-
Allowance made during the financial year/period	204	-
Interest recognition on impaired loans	(3)	-
Balance as at 31 December	201	-

Credit Risk (Continued)

(vii) Geographical Analysis for the Bank:

The Bank as at 31 December 2017	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Cash and short-term funds	8,378,117	60,798	8,438,915
Securities purchased under resale agreements	1,079,420	-	1,079,420
Deposits and placements with financial institutions	150,000	-	150,000
Financial assets at FVTPL	229,455	-	229,455
AFS securities	11,009,527	-	11,009,527
Loans, advances and financing	70,394,265	7,280,765	77,675,030
Derivative financial assets	511,835	80,325	592,160
Other assets	176,819	10,538	187,357
Statutory deposits with BNM	1,802,205	-	1,802,205
	93,731,643	7,432,426	101,164,069
Commitments and Contingencies	86,590,471	10,519,679	97,110,150

The Bank as at 31 December 2016	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Cash and short-term funds	10,992,791	812,949	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	228,055	-	228,055
AFS securities	6,871,580	-	6,871,580
Loans, advances and financing	68,590,208	8,039,919	76,630,127
Derivative financial assets	720,445	48,536	768,981
Other assets	108,629	10,246	118,875
Statutory deposits with BNM	2,098,668	-	2,098,668
	90,843,517	8,911,650	99,755,167
Commitments and Contingencies	80,953,652	7,456,157	88,409,809

Credit Risk (Continued)

Credit Exposures Under Basel II

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

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

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

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

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	16,970	40,904	60,715

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

The Bank had on 7 January 2010 received approval from BNM to migrate directly to the Internal Ratings Based Approach for credit risk beginning January 2010 as per the Risk-Weighted Capital Adequacy Framework.

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

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

Credit Risk (Continued)

The aggregate breakdown of credit risk standardised exposures by risk weights of the Bank for the financial year ended 31 December 2017 were as follows:

RM'000

Risk Weights	Bank							
	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%	15,136,493	-	-	-	1,170	122,413	15,260,076	-
10%	-	-	-	-	-	-	-	-
20%	21,308	43,065	15,431	-	-	-	79,804	15,960
35%	-	-	-	-	-	-	-	-
50%	-	-	28,387	-	1	-	28,388	14,194
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	95,857	912,579	582,956	1,591,392	1,591,393
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	10,742	-	10,742	16,112
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	15,157,801	43,065	43,818	95,857	924,492	705,369	16,970,402	1,637,659

Credit Risk (Continued)

The aggregate breakdown of credit risk standardised exposures by risk weights of the Bank for the financial year ended 31 December 2016 were as follows:

RM'000

Risk Weights	Bank							
	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%	17,348,496	-	-	-	748	118,633	17,467,877	-
10%	-	-	-	-	-	-	-	-
20%	-	165,117	141	-	-	-	165,258	33,052
35%	-	-	-	-	-	-	-	-
50%	-	2	47,516	-	1	-	47,519	23,759
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	156,711	882,347	701,747	1,740,805	1,740,805
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	8,042	-	8,042	12,062
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	17,348,496	165,119	47,657	156,711	891,138	820,380	19,429,501	1,809,678

Credit Risk (Continued)

Credit Exposures Under Basel II (Continued)

The table below summarises the approaches adopted by the Islamic Banking Window for credit risk computation.

The Bank has adopted the FIRB Approach for its non-retail exposures and the AIRB Approach for its retail exposures under its Islamic Banking Window:

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	201	299	951

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

The aggregate breakdown of credit risk standardised exposures by risk weights of the Islamic Banking Window for the financial year ended 31 December 2017 were as follows:

RM'000

Risk Weights	Islamic Banking Window							
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Funds Mangers	Corporates	Other Assets	Total Exposures after Netting and CRM	Total RWA
0%	200,846	-	-	-	-	-	200,846	-
10%	-	-	-	-	-	-	-	-
20%	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	175	175	175
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	200,846	-	-	-	-	175	201,021	175

Credit Risk (Continued)

The aggregate breakdown of credit risk standardised exposures by risk weights of the Islamic Banking Window for the financial year ended 31 December 2016 were as follows:

RM'000

Risk Weights	Islamic Banking Window							
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Funds Mangers	Corporates	Other Assets	Total Exposures after Netting and CRM	Total RWA
0%	792,096	-	-	-	-	-	792,096	-
10%	-	-	-	-	-	-	-	-
20%	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	88	88	88
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	792,096	-	-	-	-	88	792,184	88

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Bank for the financial year ended 31 December 2017 were as follows:

RM'000

Ratings of Corporates by Approved ECAIs						
Exposure Class	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
<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)		-	-	-	-	43,065
Insurance Cos, Securities Firms and Fund Managers		-	-	-	-	95,857
Corporates		-	-	-	-	924,492
Total		**-**	**-**	**-**	**-**	**1,063,414**

RM'000

Ratings of Banking Institutions by Approved ECAIs							
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<u>On and Off-Balance Sheet Exposures</u>							
Banks, DFIs and MDBs		14,000	24,262	37	-	-	5,519
Total		**14,000**	**24,262**	**37**	**-**	**-**	**5,519**

RM'000

Ratings of Sovereigns/Central Banks by Approved ECAIs							
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns/Central Banks		-	15,157,801	-	-	-	-
Total		**-**	**15,157,801**	**-**	**-**	**-**	**-**

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Bank for the financial year ended 31 December 2016 were as follows:

RM'000

Ratings of Corporates by Approved ECAIs						
Exposure Class	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
<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)		-	-	-	-	165,119
Insurance Cos, Securities Firms and Fund Managers		-	-	-	-	156,711
Corporates		-	-	-	-	891,138
Total		**-**	**-**	**-**	**-**	**1,212,968**

RM'000

Ratings of Banking Institutions by Approved ECAIs							
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<u>On and Off-Balance Sheet Exposures</u>							
Banks, DFIs and MDBs		-	-	-	-	-	47,657
Total		**-**	**-**	**-**	**-**	**-**	**47,657**

RM'000

Ratings of Sovereigns/Central Banks by Approved ECAIs							
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns/Central Banks		-	17,348,496	-	-	-	-
Total		**-**	**17,348,496**	**-**	**-**	**-**	**-**

Credit Risk (Continued)

Rated Exposures according to ratings by ECAIs of the Islamic Banking Window for the financial year ended 31 December 2017 were as follows:

RM'000

Ratings of Sovereigns/Central Banks by Approved ECAIs							
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		-	200,846	-	-	-	-
Total		-	200,846	-	-	-	-

Rated Exposures according to ratings by ECAIs of the Islamic Banking Window for the financial year ended 31 December 2016 were as follows:

RM'000

Ratings of Sovereigns/Central Banks by Approved ECAIs							
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		-	792,096	-	-	-	-
Total		-	792,096	-	-	-	-

Credit Risk (Continued)

Internal Credit Rating System

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

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

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

Non-Retail Exposures

The Bank has adopted the FIRB approach for its non-retail exposures. Under this approach, the 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 auction 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 ECAI, they are not directly comparable or equivalent to the ECAI ratings.

Corporate Asset Class

The Bank has developed models to rate exposures in the Large Corporate and SME asset class. Credit risk factors used to derive a borrower's risk rating include its financial strength, quality of management, business risks, and the industry in which it operates. The borrower risk rating process is augmented by facility risk ratings, which take into account the type and structure of the facility, availability and type of collateral, and seniority of the exposure.

The Bank's internal rating grade structure for the Corporate asset class consists of 16 pass grades. 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 four sub-classes for Specialised Lending: (i) Income Producing Real Estate (IPRE), (ii) Commodities Finance (CF), (iii) Project Finance (PF) and (iv) Ship Finance (SF). Internal risk grades are derived based on a comprehensive assessment of financial and non-financial risk factors using internal scorecards.

The rating grade structure for IPRE exposures follows that of the corporate asset class, with 16 pass grades. Risk grades derived for CF, PF and SF exposures are mapped to four supervisory slotting categories, which determines the risk weights to be applied to such exposures.

Bank Asset Class

The Bank's internal scorecard takes into account asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Equity Asset Class

The Bank adopts the following approaches for its equity investments:

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

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 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.

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 2017:

Exposures Under the IRB Approach by Risk Grade

CRR Band	1-9	10-16	17-20 (Default)
Non-Retail Exposures (EAD) (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	22,669,812	14,461,704	761,842
Bank	8,668,711	181,546	-
Total Non-Retail Exposures	**31,338,523**	**14,643,250**	**761,842**
Undrawn Commitments (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	3,025,565	537,391	12,210
Bank	-	-	-
Total Undrawn Commitments	**3,025,565**	**537,391**	**12,210**
Exposure Weighted Average LGD			
Large Corporate, SMEs and Specialised Lending (IPRE)	42%	38%	44%
Bank	41%	45%	-
Exposure Weighted Average Risk Weight			
Large Corporate, SMEs and Specialised Lending (IPRE)	73%	114%	-
Bank	13%	42%	-

Specialised Lending Exposure under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
Specialised Lending Exposure (EAD) (RM'000)					
Object Finance	814	6,212	-	4,923	-
Risk Weighted Assets	570	5,590	-	12,306	-

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	30,497,208	1,151,241	2,946,605	431,127
Qualifying Revolving Retail	4,351,731	672,789	1,741,084	44,997
Other Retail	14,431,770	2,121,589	2,064,468	181,561
Total Retail Exposures	**49,280,709**	**3,945,619**	**6,752,157**	**657,685**
Undrawn Commitments (RM'000)				
Residential Mortgages	2,294,613	360,681	179,333	-
Qualifying Revolving Retail	3,247,451	299,049	701,731	-
Other Retail	2,003,834	569,823	248,100	1,062
Total Undrawn Commitments	**7,545,898**	**1,229,553**	**1,129,164**	**1,062**
Exposure Weighted Average LGD				
Residential Mortgages	11.87%	13.97%	12.41%	12.31%
Qualifying Revolving Retail	31.81%	45.21%	42.77%	55.80%
Other Retail	15.98%	25.95%	26.75%	25.29%
Exposure Weighted Average Risk Weight				
Residential Mortgages	6.75%	21.66%	41.91%	74.56%
Qualifying Revolving Retail	5.99%	19.91%	62.03%	316.12%
Other Retail	11.97%	29.33%	42.54%	152.89%

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 2016:

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)	21,569,455	15,299,002	698,046
Bank	6,795,202	150,718	-
Total Non-Retail Exposures	**28,364,657**	**15,449,720**	**698,046**
Undrawn Commitments (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	3,075,710	553,332	12,000
Bank	-	-	-
Total Undrawn Commitments	**3,075,710**	**553,332**	**12,000**
Exposure Weighted Average LGD			
Large Corporate, SMEs and Specialised Lending (IPRE)	42%	38%	44%
Bank	45%	45%	-
Exposure Weighted Average Risk Weight			
Large Corporate, SMEs and Specialised Lending (IPRE)	75%	110%	-
Bank	20%	66%	-

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	28,774,484	1,202,215	2,804,336	402,300
Qualifying Revolving Retail	3,724,219	637,753	1,616,202	44,933
Other Retail	14,437,691	2,375,789	1,870,916	155,553
Total Retail Exposures	**46,936,394**	**4,215,757**	**6,291,454**	**602,786**
Undrawn Commitments (RM'000)				
Residential Mortgages	2,279,498	398,670	139,374	-
Qualifying Revolving Retail	2,708,902	273,172	618,912	-
Other Retail	2,152,034	620,254	165,545	-
Total Undrawn Commitments	**7,140,434**	**1,292,096**	**923,831**	**-**
Exposure Weighted Average LGD				
Residential Mortgages	11.67%	13.33%	12.03%	12.03%
Qualifying Revolving Retail	32.16%	45.80%	43.29%	56.32%
Other Retail	16.17%	25.22%	26.10%	26.09%
Exposure Weighted Average Risk Weight				
Residential Mortgages	6.67%	20.75%	41.00%	74.69%
Qualifying Revolving Retail	6.09%	20.24%	62.43%	339.77%
Other Retail	12.07%	28.51%	41.46%	152.37%

Credit Risk (Continued)

Credit Risk Profile (Continued)

The following tables showed the breakdown of exposures by RWA and EAD for the Islamic Banking Window using the respective internal rating scale for the model applicable to the asset classes for the financial year ended 31 December 2017:

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)	91,680	194,938	-
Bank	13,757	-	-
Total Non-Retail Exposures	**105,437**	**194,938**	**-**
Undrawn Commitments (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	7,500	51,950	-
Bank	-	-	-
Total Undrawn Commitments	**7,500**	**51,950**	**-**
Exposure Weighted Average LGD			
Large Corporate, SMEs and Specialised Lending (IPRE)	45%	45%	-
Bank	45%	-	-
Exposure Weighted Average Risk Weight			
Large Corporate, SMEs and Specialised Lending (IPRE)	62%	144%	-
Bank	9%	-	-

As at 31 December 2017, there were no Specialised Lending Exposure under the Supervisory Slotting Criteria for Islamic Banking Window.

PD Range of Retail Exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Retail Exposures (EAD) (RM'000)				
Residential Mortgages	129,319	323,896	39,266	703
Other Retail	125,531	271,943	60,029	-
Total Retail Exposures	**254,850**	**595,839**	**99,295**	**703**
Undrawn Commitments (RM'000)				
Residential Mortgages	34,544	94,142	9,345	-
Other Retail	13,840	145,380	15,693	-
Total Undrawn Commitments	**48,384**	**239,522**	**25,038**	**-**
Exposure Weighted Average LGD				
Residential Mortgages	15.31%	15.36%	16.99%	15.58%
Other Retail	27.82%	17.21%	25.24%	-
Exposure Weighted Average Risk Weight				
Residential Mortgages	10.10%	23.65%	46.59%	0.63%
Other Retail	22.45%	19.87%	34.98%	-

Credit Risk (Continued)

Credit Risk Profile (Continued)

The following tables showed the breakdown of exposures by RWA and EAD for the Islamic Banking Window using the respective internal rating scale for the model applicable to the asset classes for the financial year ended 31 December 2016:

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)	100,062	-	-
Bank	49	-	-
Total Non-Retail Exposures	**100,111**	**-**	**-**
Undrawn Commitments (RM'000)			
Large Corporate, SMEs and Specialised Lending (IPRE)	-	-	-
Bank	-	-	-
Total Undrawn Commitments	**-**	**-**	**-**
Exposure Weighted Average LGD			
Large Corporate, SMEs and Specialised Lending (IPRE)	45%	-	-
Bank	45%	-	-
Exposure Weighted Average Risk Weight			
Large Corporate, SMEs and Specialised Lending (IPRE)	88%	-	-
Bank	9%	-	-

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	-	740	-	-
Other Retail	-	2,321	2,310	-
Total Retail Exposures	**-**	**3,061**	**2,310**	**-**
Undrawn Commitments (RM'000)				
Residential Mortgages	-	411	-	-
Other Retail	-	307	-	-
Total Undrawn Commitments	**-**	**718**	**-**	**-**
Exposure Weighted Average LGD				
Residential Mortgages	-	15.58%	-	-
Other Retail	-	59.22%	25.83%	-
Exposure Weighted Average Risk Weight				
Residential Mortgages	-	23.77%	-	-
Other Retail	-	64.18%	36.50%	-

Credit Risk (Continued)

Retail Exposures under the IRB Approach by Expected Loss (EL) Range for the Bank for the financial year ended 31 December 2017 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	33,935,786	898,003	38,230	154,085	77
Qualifying Revolving Retail	5,076,868	1,287,548	166,060	208,483	71,642
Other Retail	17,529,204	969,888	230,091	42,649	27,556
Total Retail Exposures	56,541,858	3,155,439	434,381	405,217	99,275
Undrawn Commitments (RM'000)					
Residential Mortgages	2,786,752	46,303	1,572	-	-
Qualifying Revolving Retail	3,596,071	607,149	14,626	28,452	1,933
Other Retail	2,699,466	113,788	5,303	4,188	74
Total Undrawn Commitments	9,082,289	767,240	21,501	32,640	2,007
Exposure Weighted Average Risk Weight					
Residential Mortgages	9.53%	66.31%	89.55%	0.80%	-
Qualifying Revolving Retail	7.43%	46.12%	111.96%	161.79%	171.07%
Other Retail	15.01%	51.28%	127.91%	190.36%	9.96%

Retail Exposures under the IRB Approach by EL Range for the Bank for the financial year ended 31 December 2016 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	31,940,198	1,052,941	66,687	123,509	-
Qualifying Revolving Retail	4,391,880	1,202,221	161,776	197,539	69,691
Other Retail	17,778,008	762,666	228,392	45,682	25,201
Total Retail Exposures	54,110,086	3,017,828	456,855	366,730	94,892
Undrawn Commitments (RM'000)					
Residential Mortgages	2,807,192	10,012	338	-	-
Qualifying Revolving Retail	3,012,599	546,537	14,497	25,688	1,665
Other Retail	2,899,466	31,616	4,546	2,205	-
Total Undrawn Commitments	8,719,257	588,165	19,381	27,893	1,665
Exposure Weighted Average Risk Weight					
Residential Mortgages	8.72%	74.34%	76.94%	0.08%	-
Qualifying Revolving Retail	7.64%	45.83%	110.99%	164.15%	182.38%
Other Retail	15.24%	52.31%	107.81%	159.07%	25.96%

Credit Risk (Continued)

Retail Exposures under the IRB Approach by EL Range for Islamic Banking Window for the financial year ended 31 December 2017 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	492,481	-	-	703	-
Other Retail	446,310	11,193	-	-	-
Total Retail Exposures	**938,791**	**11,193**	**-**	**703**	**-**
Undrawn Commitments (RM'000)					
Residential Mortgages	138,031	-	-	-	-
Other Retail	174,913	-	-	-	-
Total Undrawn Commitments	**312,944**	**-**	**-**	**-**	**-**
Exposure Weighted Average Risk Weight					
Residential Mortgages	21.92%	-	-	0.63%	-
Other Retail	21.72%	56.15%	-	-	-

Retail Exposures under the IRB Approach by EL Range for Islamic Banking Window for the financial year ended 31 December 2016 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	740	-	-	-	-
Other Retail	4,631	-	-	-	-
Total Retail Exposures	**5,371**	**-**	**-**	**-**	**-**
Undrawn Commitments (RM'000)					
Residential Mortgages	411	-	-	-	-
Other Retail	307	-	-	-	-
Total Undrawn Commitments	**718**	**-**	**-**	**-**	**-**
Exposure Weighted Average Risk Weight					
Residential Mortgages	23.77%	-	-	-	-
Other Retail	50.38%	-	-	-	-

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 2017 for the Bank.

Comparison of Actual Loss and Expected Loss by Asset Class RM'000

Asset Class	Actual Loss (as at 31 December 2017)	Expected Loss (as at 31 December 2016)	Actual Loss (as at 31 December 2016)	Expected Loss (as at 31 December 2015)
Corporate	115,974	436,092	75,540	440,350
Bank	-	4,946	-	4,606
Retail	68,266	194,271	66,000	189,546
Total	**184,240**	**635,309**	**141,540**	**634,502**

The actual loss in 2017 is lower than the expected loss computed as at 31 December 2016. The Bank continues to be proactive in its risk management approach to ensure that actual losses remained within Bank's expectations.

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

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

i) EL as at 31 December 2016 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years.
ii) EL is estimated based on non-default exposures only, while impairment loss allowance is an accounting estimate of likely loss from defaulted exposures. Write-offs are recorded on defaulted exposures when no further recovery is possible.

Actual loss consists of impairment loss allowance and write-off to the Bank's income statement for the financial year ended 31 December 2017 for Islamic Banking Window.

Comparison of Actual Loss and Expected Loss by Asset Class RM'000

Asset Class	Actual Loss (as at 31 December 2017)	Expected Loss (as at 31 December 2016)	Actual Loss (as at 31 December 2016)	Expected Loss (as at 31 December 2015)
Corporate	-	522	-	-
Bank	-	-	-	-
Retail	204	37	-	-
Total	**204**	**559**	-	-

Credit Risk (Continued)

Actual loss consists of impairment loss allowance and write-off to the Bank's income statement for the financial year ended 31 December 2017.

Loans, Advances and Financing

Movements in Allowance for Losses on Loans, Advances and Financing for the Bank were as follows:

	2017 RM'000	2016 RM'000
Collective Impairment		
Balance as at 1 January	1,125,048	1,019,498
Allowance made during the financial year	103,809	105,550
Balance as at 31 December	**1,228,857**	**1,125,048**
Individual Impairment		
Balance as at 1 January	233,670	183,854
Allowance made during the financial year	332,656	275,821
Amount written-back in respect of recoveries	(119,569)	(91,718)
Amount written-off	(128,265)	(126,610)
Interest recognition on impaired loans	(7,016)	(6,885)
Other adjustment	(1,333)	(792)
Balance as at 31 December	**310,143**	**233,670**
Allowance for Losses on Loans, Advances and Financing		
(a) Individual impairment		
- made in the financial year	332,656	275,821
- written-back in the financial year	(119,569)	(91,718)
(b) Collective impairment		
- made in the financial year	103,809	105,550
Impaired loans, advances and financing		
- written-off	26,264	2,692
- recovered	(51,768)	(41,031)
	291,392	**251,314**

Financing, Advances and Others

Movements in Allowance for Losses on Financing, Advances and Others for Islamic Banking Window were as follows:

	2017 RM'000	2016 RM'000
Collective Impairment		
Balance as at 1 January/14 July	80	-
Impairment loss made during the financial year/period	8,775	80
Balance as at 31 December	**8,855**	**80**
Allowance for Impairment on Loans, Advances and Financing		
(a) Individual impairment		
- made in the financial year/period	204	-
(b) Collective impairment		
- made in the financial year/period	8,775	80
	8,979	**80**

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 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 foreign exchange (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 following tables presented the total exposures which are covered by eligible credit risk mitigants of the Bank for the financial year ended 31 December 2017:

RM'000

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit Derivatives	Exposures covered by Eligible Financial Collateral	Exposures covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	15,112,480	-	-	-
Banks, DFIs and MDBs	7,440,557	-	814,805	-
Insurances Cos, Securities Firms and Fund Managers	22,226	-	22,026	-
Corporates	28,413,866	609,372	2,387,649	1,700,611
Regulatory Retail	18,313,441	-	-	-
Residential Mortgages	31,760,428	-	-	-
Other Assets	692,707	-	-	-
Equity Exposures	140,516	-	-	-
Defaulted Exposures	1,101,582	341	1,022	14,416
Total On-Balance Sheet Exposures	**102,997,803**	**609,713**	**3,225,502**	**1,715,027**
Off-Balance Sheet Exposures				
OTC Derivatives	1,170,997	869	3,422	42
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	20,031,147	105,562	777,543	205,403
Defaulted Exposures	13,583	-	266	361
Total Off-Balance Sheet Exposures	**21,215,727**	**106,431**	**781,231**	**205,806**
Total On and Off-Balance Sheet Exposures	**124,213,530**	**716,144**	**4,006,733**	**1,920,833**

Credit Risk Mitigation (Continued)

The following tables presented the total exposures which are covered by eligible credit risk mitigants of the Bank for the financial year ended 31 December 2016:

RM'000

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit Derivatives	Exposures covered by Eligible Financial Collateral	Exposures covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	17,348,496	-	-	-
Banks, DFIs and MDBs	5,572,920	-	-	-
Insurances Cos, Securities Firms and Fund Managers	13,085	-	13,017	-
Corporates	28,486,992	547,400	2,543,609	1,775,830
Regulatory Retail	17,926,245	-	-	-
Residential Mortgages	29,963,494	-	-	-
Other Assets	784,550	-	-	-
Equity Exposures	126,021	-	-	-
Defaulted Exposures	1,058,856	-	9,899	6,623
Total On-Balance Sheet Exposures	**101,280,659**	**547,400**	**2,566,525**	**1,782,453**
Off-Balance Sheet Exposures				
OTC Derivatives	1,171,707	4,334	6,772	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	19,428,093	90,931	813,521	163,731
Defaulted Exposures	13,152	-	109	2,121
Total Off-Balance Sheet Exposures	**20,612,952**	**95,265**	**820,402**	**165,852**
Total On and Off-Balance Sheet Exposures	**121,893,611**	**642,665**	**3,386,927**	**1,948,305**

Credit Risk Mitigation (Continued)

The following tables presented the total exposures which are covered by eligible credit risk mitigants of Islamic Banking Window for the financial year ended 31 December 2017:

RM'000

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit Derivatives	Exposures covered by Eligible Financial Collateral	Exposures covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	200,846	-	-	-
Banks, DFIs and MDBs	13,757	-	-	-
Corporates	214,485	87,750	1,015	-
Regulatory Retail	282,590	-	-	-
Residential Mortgages	354,450	-	-	-
Other Assets	175	-	-	-
Defaulted Exposures	503	-	-	-
Total On-Balance Sheet Exposures	**1,066,806**	**87,750**	**1,015**	**-**
Off-Balance Sheet Exposures				
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	385,076	8,842	579	-
Total Off-Balance Sheet Exposures	**385,076**	**8,842**	**579**	**-**
Total On and Off-Balance Sheet Exposures	**1,451,882**	**96,592**	**1,594**	**-**

Credit Risk Mitigation (Continued)

The following tables presented the total exposures which are covered by eligible credit risk mitigants of Islamic Banking Window for the financial year ended 31 December 2016:

RM'000

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit Derivatives	Exposures covered by Eligible Financial Collateral	Exposures covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	792,096	-	-	-
Banks, DFIs and MDBs	49	-	-	-
Corporates	100,062	-	-	-
Regulatory Retail	4,323	-	-	-
Residential Mortgages	330	-	-	-
Other Assets	88	-	-	-
Total On-Balance Sheet Exposures	**896,948**	**-**	**-**	**-**
Off-Balance Sheet Exposures				
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	718	-	-	-
Total Off-Balance Sheet Exposures	**718**	**-**	**-**	**-**
Total On and Off-Balance Sheet Exposures	**897,666**	**-**	**-**	**-**

Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk

Unlike normal lending risk where the notional at risk can be determined with a high degree of certainty during the contractual period, counterparty credit risk exposure fluctuates with market variables. Counterparty credit risk is measured as the sum of current mark-to-market plus appropriate add-on factor for Potential Future Exposure (PFE). The PFE factor is an estimate of the maximum credit exposure over the remaining life of the foreign exchange (FX)/derivative transactions and is used for limit setting and internal risk management.

The Bank also has established policies and procedures to manage wrong-way risk, i.e. where the counterparty credit exposure is correlated positively with its default risk. Transactions that exhibit such characteristics are identified and reported to senior management on a regular basis. In addition, transactions with specific wrong-way risk are generally rejected at the underwriting stage.

Credit Exposures from Foreign Exchange (FX) and Derivatives

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

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

Credit Exposures from FX and Derivatives (Continued)

The off-balance sheet exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2017 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	3,202,391		3,155,460	2,260,927
Transaction related contingent items	6,037,933		3,034,380	2,139,796
Short-term self liquidating trade related contingencies	524,618		115,387	93,389
Foreign exchange related contracts				
One year or less	24,198,577	296,421	635,018	159,262
Over one year to five years	204,645	99	11,512	11,065
Interest/profit rate related contracts				
One year or less	7,689,651	95,793	152,398	63,654
Over one year to five years	15,526,922	133,699	746,707	542,178
Over five years	58,084	234	4,447	2,815
Equity related contracts				
One year or less	464,921	3,425	22,890	18,337
Over one year to five years	1,093,643	-	43,746	7,730
Commodity contracts				
One year or less	215,980	7,965	23,231	9,396
Over one year to five years	537,233	2,752	55,063	23,314
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	11,697,356		6,597,870	4,202,984
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	14,085,535		681,934	141,414
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	11,493,526		5,928,435	655,787
Unutilised credit card lines	79,135		15,827	14,915
Total	97,110,150	540,388	21,224,305	10,346,963

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

Credit Exposures from FX and Derivatives (Continued)

The off-balance sheet exposures and their related counterparty credit risk of the Bank for the financial year ended 31 December 2016 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	2,963,581		2,963,581	2,350,193
Transaction related contingent items	5,751,113		2,907,914	2,029,319
Short-term self-liquidating trade related contingencies	476,394		107,718	69,745
Foreign exchange related contracts				
One year or less	16,559,657	413,612	627,679	262,095
Over one year to five years	319,406	13,361	31,832	30,636
Interest/profit rate related contracts				
One year or less	8,070,548	56,088	136,859	55,150
Over one year to five years	14,451,820	203,220	649,760	368,703
Over five years	1,475,311	3,601	78,508	55,388
Equity related contracts				
One year or less	383,707	1,629	16,572	9,803
Over one year to five years	483,193	12	19,514	4,517
Commodity contracts				
One year or less	376,522	18,699	50,456	25,529
Over one year to five years	200,000	-	24,000	12,000
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	12,384,483		6,857,557	4,195,239
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,374,793		809,243	210,181
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	11,075,418		5,371,596	619,757
Unutilised credit card lines	63,863		12,773	12,250
Total	88,409,809	710,222	20,665,562	10,310,505

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

Credit Exposures from FX and Derivatives (Continued)

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window for the financial year ended 31 December 2017 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	7,134		7,134	4,522
Transaction related contingent items	11,096		5,548	6,343
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	590,785		371,644	167,159
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	84,534		750	838
Total	693,549	-	385,076	178,862

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window for the financial year ended 31 December 2016 were as follows:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,071		718	152
Total	1,071	-	718	152

Market Risk

Market risk is governed by the Bank's ALCO, which meets monthly to review and provide directions on market risk matters. The Market Risk Management (MRM) and Balance Sheet Risk Management (BSRM) of the Risk Management Division (RMD) supports the RMC, RCC, EXCO and 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 Bank employs valuation methodologies that 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 Bank. This ensures that 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 2017 was RM4.2 million.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2017				
Interest rate	2,447	16,774	1,430	6,197
Foreign exchange	4,052	9,935	151	4,797
Commodities	410	1,971	25	573
Total diversified VaR	4,198	16,848	1,254	7,745
2016				
Interest rate	1,441	5,578	1,036	2,894
Foreign exchange	1,255	11,483	121	2,225
Commodities	379	563	11	224
Total diversified VaR	2,034	13,186	980	3,388

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 fraud risk, legal risk, compliance risk (including Shariah non-compliance risk), reputational risk, outsourcing risk and technology risk. However, strategic risk and reputational risk are excluded from the operational risk capital computation.

The Bank's 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/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 and compliance related 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 Business/Support Units.

Operational Risk (Continued)

- In the Second Line, Operational Risk Management 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 and external audit act as the Third Line of Defence by providing independent review and assessment on the effectiveness of the First and Second Lines of Defence.

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

a) Key Risk and Control Self-Assessment (KRCSA) - KRCSA is a tool for Business/Support Units to manage their unit's operational risk profile which involves identifying and assessing the 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.

b) Key Operational Risk Indicators (KORIs) are statistical data collected and monitored by Business/Support Units on an ongoing basis to enable early detection of potential operational risks and control weaknesses.

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

d) 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 or change in business environment 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.

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 new/variation 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 have been developed and tested to ensure prompt recovery of critical business functions following unforeseen events. Senior management provides an annual attestation to the Board of Directors 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.

Legal risks are risks arising out of unenforceable/unfavourable/defective/unintended contracts, lawsuits or claims involving the Bank, developments in laws and regulations or non-compliance with applicable laws, rules and professional standards. Policy on management of legal risks has been established to manage contractual risk, litigation risk, legislative risk, intellectual property risk and external lawyers.

Reputational risk is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationship and continued access to sources of funding (e.g. through the interbank or securitisation markets). The Bank recognises the impact of reputational 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 available-for-sale (AFS) securities which were being measured at fair value.

RM'000

Type of Equities	Bank			
	31 December 2017		31 December 2016	
	Exposures	RWA	Exposures	RWA
Publicly traded equity exposures * mainly acquired via loan restructuring activities	2,569	7,707	2,893	8,679
All other equity exposures	137,947	551,788	123,128	492,512
	140,516	559,495	126,021	501,191

	2017 RM'000	2016 RM'000
Realised (loss)/gains arising from sales and liquidation	(11)	144
Unrealised gains included in fair value reserve	127,978	113,483

As at 31 December 2017, there were no equity exposures under Islamic Banking Window.

Interest Rate Risk/Rate of Return Risk in the Banking Book (IRR/RORBB)

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

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

Banking book interest/profit 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/profit rate changes on interest/profit income and price value through the analysis of the sensitivity of assets and liabilities to changes in interest/profit rates. Interest/profit 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/profit rate positions than similar positions in the shorter tenor.

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

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

Interest Rate Risk/Rate of Return Risk in the Banking Book (IRR/RORBB) (Continued)

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/profit rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating the proactive management of interest/profit rate risks in an environment of rapid financial market changes.

The reported figures are based on the upward and downward parallel movement of the yield curve. The repricing profile of loans/financing 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/profit rates, foreign exchange rates and equity prices are managed and controlled under the market risk framework that is discussed under the Market Risk section.

Interest/Profit Rate Sensitivity Analysis - Banking Book

The table below showed the results at 100 and 200 basis points parallel interest/profit rate shocks to EVE and NII/NPI. The reported figures were based on the upward and downward parallel movement of the yield curve. The repricing profile of loans/financings 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 2017		RM'million		RM'million
Currency				
Total	**+ 200/(200)**	**59.1/(32.1)**	**+ 100/(100)**	**26.5/(19.8)**
MYR	+ 200/(200)	60.2/(33.1)	+ 100/(100)	27.0/(20.3)
USD	+ 200/(200)	(1.1)/1.0	+ 100/(100)	(0.5)/0.5
31 December 2016				
Currency				
Total	**+ 200/(200)**	**96.4/(72.7)**	**+ 100/(100)**	**45.6/(39.6)**
MYR	+ 200/(200)	97.3/(73.2)	+ 100/(100)	46.0/(40.0)
USD	+ 200/(200)	(0.9)/0.5	+ 100/(100)	(0.4)/0.4

Net Interest/Profit Income (NII/NPI)

	Increase/(Decrease) in basis point	Sensitivity of NII/NPI	Increase/(Decrease) in basis point	Sensitivity of NII/NPI
31 December 2017		RM'million		RM'million
Currency				
Total	**+ 200/(200)**	**462.3/(463.7)**	**+ 100/(100)**	**204.2/(204.2)**
MYR	+ 200/(200)	464.3/(460.4)	+ 100/(100)	205.2/(205.2)
USD	+ 200/(200)	(2.0)/(3.3)	+ 100/(100)	(1.0)/1.0
31 December 2016				
Currency				
Total	**+ 200/(200)**	**401.3/(420.3)**	**+ 100/(100)**	**167.7/(172.6)**
MYR	+ 200/(200)	413.4/(413.4)	+ 100/(100)	173.7/(173.7)
USD	+ 200/(200)	(12.1)/(6.9)	+ 100/(100)	(6.0)/1.1

Liquidity Risk

The Bank maintains sufficient liquidity to fund its day-to-day operations, meet deposit withdrawals and loan/financing 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's and the 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 2017.

Contingency funding plans are in place to identify liquidity crisis 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, notwithstanding that it has the support of UOB Group in Singapore.

The table in Note 38 to the financial statements on page 156 - 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.

Profit Sharing Investment Accounts and Shariah Governance

Profit Sharing Investment Accounts

This disclosure is not applicable as United Overseas Bank (Malaysia) Bhd's Islamic Banking Window does not have any Profit Sharing Investment Accounts.

Shariah Governance

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

No actual Shariah non-compliance event has been detected for the financial year ended 31 December 2017. As such, no Shariah non-compliant income has been recorded for the year.

United Overseas Bank (Malaysia) Bhd
and its subsidiaries

31 December 2017

Financial Report

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 2017.

Principal Activities

The principal activities of the Bank are banking and related financial services. The principal activities and other information 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	1,524,358	1,529,982
Income tax expense	(379,976)	(376,205)
Profit for the year	1,144,382	1,153,777

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

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and the officers of the Group and of the Bank are RM466,999,000 and RM326,000 respectively.

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

Dividends

The amount of dividend paid by the Bank since 31 December 2016 was as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the directors' report for that year, a final single-tier dividend of 82.1 sen, on 470,000,000 ordinary shares was paid on 5 May 2017	385,870

At the forthcoming Annual General Meeting, a final single-tier dividend of 98.2 sen in respect of the financial year ended 31 December 2017 on 470,000,000 issued and fully paid ordinary shares, amounting to dividend payable of RM461,540,000 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 2018.

Directors

The names of the directors of the Group and the Bank in office since the beginning of the financial year to the date of this report are:

The Bank
Wee Cho Yaw
Ong Yew Huat
Wee Ee Cheong
Dato' Jeffrey Ng Tiong Lip
Fatimah Binti Merican
Wong Kim Choong
Robert Kwan Koh Wah (retired on 2 October 2017)

The Subsidiaries of the Bank
Chang Yeong Gung
Josephine Lee Mae Yin
Khoo Chock Seang
Lum Chee Onn
Teo Teck Hin

Directors' Benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or a related company 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 Plan and Share Appreciation Rights Plan (the "Plans")

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

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

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

Grants made in 2012 to 2013 are subject to the achievement of predetermined Return On Equity (ROE) targets, 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 UOB Group before vesting of the RS and SAR will be forfeited their rights unless otherwise decided by the Remuneration Committee of UOB.

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

Directors' Interests

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

		Number of ordinary shares				
		1.1.2017	Acquired	Disposed	Forfeited	31.12.2017
Ultimate holding company: UOB						
Wee Cho Yaw	- Direct	20,567,244	569,345	-	-	21,136,589
	- Indirect	278,781,769	5,006,345	-	-	283,788,114
Wee Ee Cheong	- Direct	3,297,243	59,212	-	-	3,356,455
	- Indirect	166,690,461	3,008,779	-	-	169,699,240
Wong Kim Choong	- Indirect	77,843	38,666	(23,562)	-	92,947
Related company: United Overseas Insurance Limited						
Wee Cho Yaw	- Direct	38,100	-	-	-	38,100

Directors' Interests (Continued)

		Number of options over ordinary shares under UOB Restricted Share Plan				
		1.1.2017	Granted	Vested	Forfeited	31.12.2017
Ultimate holding company: UOB						
Wong Kim Choong	- Direct	43,150	16,300	(12,495)	(1,915)	45,040

		Number of options over ordinary shares vested under UOB Share Appreciation Rights Plan				
		1.1.2017	Vested	Exercised/ lapsed	Forfeited	31.12.2017
Ultimate holding company: UOB						
Wong Kim Choong	- Direct	138,460	-	(78,960)	-	59,500

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

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

Holding Companies

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

Strategy and Performance for the Financial Year Ended 31 December 2017

The Bank's strategy to deliver sustainable growth for the long term enabled us to achieve commendable financial performance over the course of the year. Our achievements were the result of our prudent management of resources and a keen focus on meeting our strategic priorities, namely capitalising on regional growth drivers, augmenting our digital capabilities and technology systems, and sharpening our service capabilities and risk management. These efforts were recognised when we were awarded Best International Bank in Malaysia at the inaugural *Asiamoney Best Bank Awards 2017*.

In Wholesale Banking, we continued to tap our established regional network and industry expertise to help our clients seize intra-regional business and investment opportunities. We helped our clients fund opportunities arising from large-scale infrastructure projects related to the Economic Transformation Programme and Public-Private Partnership, the ASEAN Economic Community and the One Belt One Road initiative. While our client coverage teams were unwavering in their commitment to serve our clients across a range of sectors, our integrated and unparalleled Southeast Asian network was instrumental in enabling clients to take advantage of closer ASEAN integration and large-scale infrastructure investments within Malaysia and across the region. Leveraging on our regional franchise, we helped to connect our clients from the manufacturing, construction and agriculture industries with opportunities in new markets, thereby helping them expand their reach beyond the home market. We also drew on our deep understanding of our clients' business needs and plans to provide them with cash management, trade services, capital market and treasury solutions.

Our Transaction Banking business recorded another successful year. We invested in digital technology to enhance our back-office payment systems to offer seamless financial solutions and services to our clients. To help more companies expand and invest in Asia, we continued to provide market-leading support across all segments, enhanced our cash management solutions, strengthened our financial supply chain management capabilities and rolled out the UOB BIBPlus (BIBPlus) electronic banking platform.

Strategy and Performance for the Financial Year Ended 31 December 2017 (Continued)

With the launch of BIBPlus, we are able to help improve our clients' operating efficiencies in managing payments and collections, optimise their cash flow and manage their account receivables more efficiently. In recognition of these capabilities, we were named Best Cash Management Solutions Provider in Malaysia at *The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2017*.

Over the course of the year, our Global Markets team worked closely with product specialists at the Group Head Office level to provide structured solutions to meet the business needs of our clients from across multiple segments including Financial Institutions Group, Corporate, Commercial and Business Banking. This cross-collaboration enabled us to provide our clients with tailored solutions that were timely and responsive to market developments. To help our clients manage risk, our Global Markets team provided foreign exchange, interest rate and commodity hedging solutions.

In line with our strategy to achieve sustainable and long-term growth, we continued to build our Islamic Banking business to afford our customers greater choice in banking solutions. In 2017, we added new products to our Islamic Banking product suite with the introduction of Shariah-compliant contract financing facilities. We made improvements to our existing Shariah-compliant product range with the provision of longer tenures on our customers' Islamic term financing. We continued to invest in our people and developed Shariah-compliant training programmes to help improve understanding and knowledge of Islamic Banking across the Bank.

To meet the needs of individuals and small business owners, we strengthened our retail banking capabilities. In Business Banking, we focused on providing our small and medium-sized (SME) business customers with customised services and solutions. We expanded our expertise in the areas of international credit and risk management, trade financing and regional regulatory frameworks through the UOB-ABS SME Banking Executive Programme. The programme, which is the financial industry's first tertiary education programme for SME bankers, demonstrates the Bank's commitment to grow and to develop expert skills to help meet the challenges facing SMEs.

We also expanded our bancassurance product range to offer our SME customers greater choice of solutions to meet their business needs. We partnered leading insurance companies such as Prudential Malaysia, Prudential BSN Takaful, QBE Malaysia, Liberty Insurance Malaysia and Mitsui Sumitomo Insurance Group to offer our customers both life and general bancassurance products.

Growing consumer affluence across the country continued to be a strong growth driver for our Personal Financial Services business in 2017. We were steadfast in our commitment to help our customers manage their wealth and meet their financial objectives by providing tailored financial solutions and greater wealth advisory services.

We harnessed technology to deliver simpler and more convenient banking services to our customers. With the mobile phone being an indispensable lifestyle device, we made banking easier for our customers with the introduction of the UOB Mighty mobile application. We were the first bank in Malaysia to launch a mobile banking app that incorporates banking, dining and payment features in a single application. The mobile app also allows our customers to digitise their UOB credit and debit cards with their Near Field Communication (NFC) enabled Android smartphones to make contactless payments effortlessly.

We enhanced our personal internet banking platform to offer our customers greater ease and convenience when transacting and managing their accounts online. We updated our personal internet banking user interface, made it mobile optimised and added new features such as precious commodity trading to give our customers a greater online banking experience.

In 2017, we expanded the depth and range of our products to ensure we are creating solutions that are right for our customers and their lifestyle needs. Against the backdrop of a low interest rate environment, we sought to help our customers extract the most value from their money without them having to alter their banking behaviour. For example, based on our customers' transaction patterns – spending on credit cards, savings and online bill payments – we created the UOB ONE Account to offer depositors a higher-than-average interest rate on their account balances. To help our customers manage risk and returns from their investments, we launched the UOB Portfolio Optimiser. This automated portfolio rebalancing solution helps ensure our customers' investment portfolios maintain optimal asset allocation amid changing market conditions.

We strengthened the capabilities of our people to provide quality advice and solutions to our customers. In 2017, we partnered the Asian Banking School (ABS) to launch the UOB-ABS Wealth Advisory Certification Programme, an executive certification programme developed by the Melbourne Business School to give our financial advisers essential training in wealth management. We also implemented a new investment approach, Risk First, for our Privilege Banking customers which guides customers through a detailed risk assessment exercise to help them better ascertain and understand their risk tolerance levels before making investment decisions.

Strategy and Performance for the Financial Year Ended 31 December 2017 (Continued)

While we execute our long-term strategies to grow our franchise and to meet the financial needs of our customers, in 2017 we fortified our commitment to uphold robust risk management and compliance standards. We rolled out a bank-wide communications campaign to ensure that standards of Fair Dealing are embedded in all aspects of our relationships with our customers. This can be seen from how we structure our products and services, in our marketing and sales strategies, to our after-sales care. We continued to maintain a firm stance against financial crimes through a robust and dynamic Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) framework and introduced refresher AML/CFT training courses to reinforce high standards of ethical and professional behaviour across the Bank.

As a bank with a deep understanding of the markets in which we operate, we are resolute in our support of the social and economic development of our local communities and are committed to investing in areas that create long-term value for them. In 2017, we continued to focus our Corporate Social Responsibility programmes in the areas of art, children and education. Through our flagship charity programme, UOB Heartbeat, we raised more than RM210,000 for local charities in 2017.

We remain committed to supporting the development of Malaysia's art and artists through our annual UOB Painting of the Year competition. We awarded cash prizes totaling more than RM230,000 to established and emerging Malaysian artists. We also continued to support the Malaysian Institute of Art through its annual Nationwide Art and Design Competition, of which we have been a sponsor since 2011.

In education, we focused on raising financial literacy standards to promote responsible spending and saving among children and youth across the country. We partnered Visa to launch the Money Wise Street Smart Financial Literacy Programme, and continued to support Bank Negara Malaysia's financial literacy initiatives through our participation in the *Karnival Kewangan* and *Buku Wang Saku* programmes.

Outlook

The global economy is expected to maintain its growth momentum in 2018 supported by improving macroeconomic conditions across advanced and emerging economies. Steady flow of foreign investment into the US, Japan and the European Union; and stronger private consumption levels have helped global economies remain resilient as central banks across the world begin implementing their monetary normalisation policies. Given this resilience, we expect economic growth to become more entrenched and global economies to continue on their growth trajectories. While the global economic outlook looks favourable in 2018, we expect risks to persist in the form of ongoing geopolitical events and lingering policy uncertainty across developed economies.

Malaysia's Gross Domestic Product is projected to remain strong in 2018. Private consumption and foreign investments into Malaysia will remain key growth drivers. The government's efforts to ease the cost of living and boost domestic demand through tax relief and incentives, in addition to its commitment to large-scale infrastructure spending will likely lift confidence and fuel investment flows into the country.

Malaysia is also likely to benefit from regional and multilateral trade partnerships under the One Belt One Road initiative as more investment finds its way into the region. Over the medium term, Malaysia's economy continues to look attractive given its improving fundamentals and ongoing policy reforms to stimulate economic growth through improved labour productivity, capital spending and technology.

In 2018, we will continue to develop and to strengthen our capabilities to meet our customers' needs while remaining prudent and disciplined as we pursue sustainable growth. For our customers, we will continue to harness technology, and our regional franchise and expertise to offer a distinctive and consistent experience with products and solutions designed around their business and lifestyle needs, both through conventional and Islamic Banking.

In all that we do, we will be guided by our time-tested values of honour, enterprise, unity and commitment, and a strong sense of accountability to our stakeholders. The Board of Directors remains optimistic that the Bank is well positioned to capture emerging business opportunities and to achieve strong performance as the economy builds 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 rank is at the higher end of its generic rating category.

Other Statutory Information

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

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

Auditors and Auditors' Remuneration

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

The auditors' remuneration is disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 March 2018.

Ong Yew Huat **Wong Kim Choong**

Statement by Directors

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

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 93 to 181 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017 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 14 March 2018.

Ong Yew Huat **Wong Kim Choong**

Statutory Declaration

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

I, Wong Kim Choong, being the director primarily responsible for the financial management of United Overseas Bank (Malaysia) Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 93 to 181 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 14 March 2018.

Wong Kim Choong

Before me,

Shariah Committee's Report

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

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

In compliance with Shariah Governance Framework, we are submitting the following report:

We, the members of the Shariah Committee of United Overseas Bank (Malaysia) Bhd, are responsible for the oversight of Shariah matters related to the Bank's Islamic Banking business, operations and activities. Although the directors are ultimately responsible and accountable for all Shariah matters under the Bank, the directors rely on our independent advice on the same. The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to the directors and Bank Negara Malaysia accordingly.

We have concluded eight meetings to review various Shariah product structures and documentation, transactions, services, and operations of the Bank during the financial year ended 31 December 2017. In the course of our meetings, we reviewed the Bank's existing range of Shariah products and approved one new product, namely Contract Financing-i. We also provided Shariah opinion on various matters relating to the Bank and observed the conducted review by Shariah officers to form an opinion as to whether the Bank has complied with the Shariah rulings, resolutions and guidelines issued by the Shariah Committee and the Shariah Advisory Council of Bank Negara Malaysia.

We have assessed and endorsed the works carried out by the Shariah Review, Shariah Risk and Internal Audit Committees, which were conducted by way of examining the relevant documentation and procedures adopted by the Bank in carrying out its Islamic Banking business. We are satisfied that the reviews and audits were properly planned and performed to deliver key information, and provided us with sufficient evidence to give reasonable assurance that the Bank has not violated any Shariah principles.

In our opinion:

(i) The Bank's Shariah products, legal documents and processes that we approved during the financial year ended 31 December 2017 are in compliance with the Shariah rules and principles;

(ii) The Bank's Islamic Banking transactions and dealings carried out in the financial year ended 31 December 2017 are in compliance with the Shariah rules and principles;

(iii) The Bank's sources of Shariah income during the financial year ended 31 December 2017 are in compliance with the Shariah rules and principles;

(iv) No Shariah non-compliant event was reported during the financial year ended 31 December 2017;

(v) The Bank has maintained sufficient internal policies, frameworks, manuals and operating procedures to ensure compliance with the Shariah rules and principles when carrying out its Islamic Banking business;

(vi) The Bank has taken sufficient and proactive steps in ensuring the competency of its employees through training programmes and various learning tools; and

(vii) The Bank is not required to pay zakat and therefore no disclosure relating to zakat payment is required.

To the best of our knowledge and based on the information provided to us, we hereby confirm that the Bank's Islamic Banking business, operations and activities for the financial year ended 31 December 2017 are in compliance with the Shariah rules and principles.

Dr Samsuri Sharif	Prof. Dr Norhashimah Mohd Yasin
Chairman, Shariah Committee	Member, Shariah Committee

Kuala Lumpur, Malaysia
14 March 2018

Independent Auditors' Report

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

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of United Overseas Bank (Malaysia) Bhd, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Bank, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 93 to 181.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information in Directors' Report and Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon, which the Directors' Report we obtained prior to the date of this auditors' report, and the Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard on the Directors' Report.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Auditors' responsibilities for the audit of the financial statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young AF: 0039 Chartered Accountants	Chan Hooi Lam No. 2844/02/2020 J Chartered Accountant

Kuala Lumpur, Malaysia
14 March 2018

Statements of Financial Position

As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Assets					
Cash and short-term funds	3	8,438,916	11,805,740	8,438,916	11,805,740
Securities purchased under resale agreements	4	1,079,420	644,041	1,079,420	644,041
Deposits and placements with financial institutions	5	150,000	589,100	150,000	589,100
Financial assets at fair value through profit or loss (FVTPL)	6	229,455	228,055	229,455	228,055
Available-for-sale (AFS) securities	7	11,009,527	6,871,580	11,009,527	6,871,580
Loans, advances and financing	8	77,561,301	76,450,132	77,675,030	76,630,127
Derivative financial assets	21	592,160	768,981	592,160	768,981
Other assets	9	408,069	474,366	411,556	488,042
Statutory deposits with Bank Negara Malaysia (BNM)	10	1,802,204	2,098,668	1,802,204	2,098,668
Investment in subsidiaries	11	-	-	120,040	40
Investment in an associate	12	9,854	11,554	13,522	13,522
Property, plant and equipment	13	561,281	530,574	239,757	231,728
Deferred tax assets	14	88,336	46,052	88,336	46,052
Total assets		101,930,523	100,518,843	101,849,923	100,415,676
Liabilities					
Deposits from customers	15	83,388,785	82,184,676	83,404,659	82,188,597
Deposits and placements of banks and other financial institutions	16	4,401,690	4,872,703	4,401,720	4,872,733
Bills and acceptances payable		232,173	227,516	232,173	227,516
Derivative financial liabilities	21	601,266	731,064	601,266	731,064
Other liabilities	17	2,362,139	2,414,657	2,360,254	2,412,331
Tax payable		126,506	70,905	125,433	69,850
Subordinated bonds	18	1,502,702	1,503,784	1,502,702	1,503,784
Deferred tax liabilities	14	13,758	14,554	-	-
Total liabilities		92,629,019	92,019,859	92,628,207	92,005,875
Equity attributable to equity holders of the Bank					
Share capital	19	792,555	470,000	792,555	470,000
Reserves	20	8,508,949	8,028,984	8,429,161	7,939,801
Total equity		9,301,504	8,498,984	9,221,716	8,409,801
Total liabilities and equity		101,930,523	100,518,843	101,849,923	100,415,676
Commitments and contingencies	34	97,110,150	88,409,809	97,110,150	88,409,809

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

Income Statements

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Operating revenue	23	5,663,143	5,397,105	5,672,012	5,405,578
Interest income	24	4,726,352	4,537,239	4,733,300	4,545,878
Interest expense	25	(2,703,828)	(2,617,511)	(2,703,878)	(2,617,582)
Net interest income		2,022,524	1,919,728	2,029,422	1,928,296
Net income from Islamic Banking Operations	44	23,678	4,925	23,678	4,925
Other operating income	26	911,780	866,766	913,696	866,757
Operating income		2,957,982	2,791,419	2,966,796	2,799,978
Other operating expenses	27	(1,140,332)	(1,073,897)	(1,148,765)	(1,082,291)
Operating profit before allowance for impairment on loans, advances and financing, impairment losses and and write-back for commitments and contingencies		1,817,650	1,717,522	1,818,031	1,717,687
Allowance for impairment on loans, advances and financing	29	(292,065)	(249,733)	(291,392)	(251,314)
Impairment loss on property, plant and equipment	13	(4,791)	-	-	-
Write-back for commitments and contingencies	17(a)	3,343	4,224	3,343	4,224
		1,524,137	1,472,013	1,529,982	1,470,597
Share of net profit of an associate		221	241	-	-
Profit before taxation		1,524,358	1,472,254	1,529,982	1,470,597
Income tax expense	30	(379,976)	(371,484)	(376,205)	(368,266)
Profit for the year attributable to equity holders of the Bank		1,144,382	1,100,770	1,153,777	1,102,331
Basic/diluted earnings per share (sen)	31	243.5	234.2		
Dividend per share (sen)	32	98.2	82.1		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2017

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year	1,144,382	1,100,770	1,153,777	1,102,331
Other comprehensive income/(loss):				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on revaluation of AFS securities	57,905	(9,226)	57,905	(9,226)
Income tax effect (Note 14)	(13,897)	2,966	(13,897)	2,966
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	44,008	(6,260)	44,008	(6,260)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Tax effect on the movement of revalued land and buildings (Note 14)	-	1,546	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	1,546	-	-
Total other comprehensive income/(loss) for the year, net of tax	44,008	(4,714)	44,008	(6,260)
Total comprehensive income for the year attributable to equity holders of the Bank	1,188,390	1,096,056	1,197,785	1,096,071

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

Statements of Changes in Equity

For the financial year ended 31 December 2017

		◄ Non-distributable				►	Distributable	
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
2017								
Balance as at 1 January 2017		470,000	322,555	470,000	146,736	57,029	7,032,664	8,498,984
Profit for the year		-	-	-	-	-	1,144,382	1,144,382
Other comprehensive income		-	-	-	-	44,008	-	44,008
Total comprehensive income		-	-	-	-	44,008	1,144,382	1,188,390
Transactions with owners/other equity movements:								
Transfer to paid up share capital (Note 20(a))		322,555	(322,555)	-	-	-	-	-
Transfer to retained profits (Note 20(b))		-	-	(470,000)	-	-	470,000	-
Dividend paid								
- Final dividend for the financial year ended 31 December 2016	32	-	-	-	-	-	(385,870)	(385,870)
Balance as at 31 December 2017		792,555	-	-	146,736	101,037	8,261,176	9,301,504
		◄ Non-distributable				►	Distributable	
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
2016								
Balance as at 1 January 2016		470,000	322,555	470,000	145,190	63,289	6,305,544	7,776,578
Profit for the year		-	-	-	-	-	1,100,770	1,100,770
Other comprehensive income/(loss)		-	-	-	1,546	(6,260)	-	(4,714)
Total comprehensive income		-	-	-	1,546	(6,260)	1,100,770	1,096,056
Transactions with owners:								
Dividend paid								
- Final dividend for the financial year ended 31 December 2015	32	-	-	-	-	-	(373,650)	(373,650)
Balance as at 31 December 2016		470,000	322,555	470,000	146,736	57,029	7,032,664	8,498,984

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

Statements of Changes in Equity

For the financial year ended 31 December 2017 (Continued)

Bank	Note	← Non-distributable Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	→ Net unrealised reserve on AFS securities RM'000	Distributable Retained profits RM'000	Total RM'000
2017							
Balance as at 1 January 2017		470,000	322,555	470,000	50,127	7,097,119	8,409,801
Profit for the year		-	-	-	-	1,153,777	1,153,777
Other comprehensive income		-	-	-	44,008	-	44,008
Total comprehensive income		-	-	-	44,008	1,153,777	1,197,785
Transactions with owners/other equity movements:							
Transfer to paid up share capital (Note 20(a))		322,555	(322,555)	-	-	-	-
Transfer to retained profits (Note 20(b))		-	-	(470,000)	-	470,000	-
Dividend paid							
- Final dividend for the financial year ended 31 December 2016	32	-	-	-	-	(385,870)	(385,870)
Balance as at 31 December 2017		792,555	-	-	94,135	8,335,026	9,221,716

Bank	Note	← Non-distributable Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	→ Net unrealised reserve on AFS securities RM'000	Distributable Retained profits RM'000	Total RM'000
2016							
Balance as at 1 January 2016		470,000	322,555	470,000	56,387	6,368,438	7,687,380
Profit for the year		-	-	-	-	1,102,331	1,102,331
Other comprehensive loss		-	-	-	(6,260)	-	(6,260)
Total comprehensive income		-	-	-	(6,260)	1,102,331	1,096,071
Transactions with owners:							
Dividend paid							
- Final dividend for the financial year ended 31 December 2015	32	-	-	-	-	(373,650)	(373,650)
Balance as at 31 December 2016		470,000	322,555	470,000	50,127	7,097,119	8,409,801

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

Statements of Cash Flows

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Cash flows from operating activities					
Profit before taxation		1,524,358	1,472,254	1,529,982	1,470,597
Adjustments for:					
Share of net profit of an associate		(221)	(241)	-	-
Gain on disposal of property, plant and equipment	26	(1,215)	(37)	(1,215)	(37)
Depreciation of property, plant and equipment	27	56,530	53,746	48,127	44,572
Allowance for impairment on loans, advances and financing	29	292,065	249,733	291,392	251,314
Net unrealised (gain)/loss on financial assets at FVTPL	26	(600)	1,285	(600)	1,285
Write-back of commitments and contingencies	17(a)	(3,343)	(4,224)	(3,343)	(4,224)
Dividend income from AFS securities	26	(813)	(943)	(813)	(943)
Dividend income from an associate	26	-	-	(1,921)	-
Interest/profit income from AFS securities	24	(379,740)	(217,200)	(379,740)	(217,200)
Gain from sale of AFS securities	26	(12,327)	(29,293)	(12,327)	(29,293)
Unrealised foreign exchange loss		194,594	58,325	194,594	58,325
Loss/(gain) from sale of financial assets at FVTPL	26	1,073	(12,156)	1,073	(12,156)
(Gain)/loss from trading derivatives	26	(65,939)	6,451	(65,939)	6,451
Unrealised loss/(gain) from trading derivatives	26	539	(26,614)	539	(26,614)
Unrealised (gain)/loss on fair value hedge	26	(1,082)	4,057	(1,082)	4,057
Gain from sale of precious metals	26	(1,071)	(1,277)	(1,071)	(1,277)
Unrealised (gain)/loss from revaluation of precious metals	26	(20)	53	(20)	53
Loss/(gain) on dissolution of subsidiaries	26	-	-	11	(144)
Impairment loss on property, plant and equipment	13	4,791	-	-	-
Amortisation of premium less accretion of discount from:					
- financial assets at FVTPL	24	158	527	158	527
- AFS securities	24	10,672	10,780	10,672	10,780
Operating profit before working capital changes		1,618,409	1,565,226	1,608,477	1,556,073
(Increase)/decrease in operating assets:					
Loans, advances and financing		(1,403,234)	(5,827,213)	(1,336,295)	(5,823,166)
Financial assets at FVTPL		(2,031)	1,616,955	(2,031)	1,616,955
Securities purchased under resale agreements		(435,379)	4,340,323	(435,379)	4,340,323
Statutory deposits with BNM		296,464	113,612	296,464	113,612
Derivative financial assets		176,821	261,651	176,821	261,651
Other assets		110,343	467,135	119,154	457,827
		(1,257,016)	972,463	(1,181,266)	967,202

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

Statements of Cash Flows

For the financial year ended 31 December 2017 (Continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Cash flows from operating activities (Continued)					
Increase/(decrease) in operating liabilities:					
Deposits from customers		1,204,109	6,662,183	1,216,062	6,661,047
Deposits and placements of banks and other financial institutions		(471,013)	(1,964,834)	(471,013)	(1,964,834)
Bills and acceptances payable		4,657	(78,028)	4,657	(78,028)
Derivative financial liabilities		(130,337)	(282,207)	(130,337)	(282,207)
Other liabilities		(177,832)	98,397	(177,934)	98,329
		429,584	4,435,511	441,435	4,434,307
Cash generated from operations		790,977	6,973,200	868,646	6,957,582
Tax paid		(381,352)	(443,295)	(376,803)	(441,559)
Net cash generated from operating activities		409,625	6,529,905	491,843	6,516,023
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		1,285	44	1,285	44
Purchase of property, plant and equipment	13	(92,098)	(81,125)	(56,226)	(67,397)
Interest/profit income from AFS securities		338,708	217,200	338,708	217,200
Net purchase of AFS securities		(4,078,387)	(1,633,828)	(4,078,387)	(1,633,828)
Net (payment)/proceeds from dissolution of subsidiaries		-	-	(11)	154
Dividend income from AFS securities		813	943	813	943
Dividend income from an associate		-	-	1,921	-
Subscription of redeemable preference shares	11(a)	-	-	(120,000)	-
Net cash used in investing activities		(3,829,679)	(1,496,766)	(3,911,897)	(1,482,884)
Cash flows from financing activities					
Dividend paid	32	(385,870)	(373,650)	(385,870)	(373,650)
Net cash used in financing activity		(385,870)	(373,650)	(385,870)	(373,650)
Net (decrease)/increase in cash and cash equivalents		(3,805,924)	4,659,489	(3,805,924)	4,659,489
Cash and cash equivalents at beginning of the year		12,394,840	7,735,351	12,394,840	7,735,351
Cash and cash equivalents at end of the year		8,588,916	12,394,840	8,588,916	12,394,840
Analysis of cash and cash equivalents					
Cash and short-term funds		8,438,916	11,805,740	8,438,916	11,805,740
Deposits and placements with financial institutions		150,000	589,100	150,000	589,100
		8,588,916	12,394,840	8,588,916	12,394,840

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 14 March 2018.

2. Significant Accounting Policies

2.1 Basis of Preparation

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

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

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

2.2 Changes in Accounting Policies

Adoption of amended MFRS 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 amendments to MFRS beginning on or after 1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle
Amendments to MFRS 107 Disclosure Initiative
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

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

Effective for financial periods beginning on or after 1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Annual Improvements to MFRS Standards 2014–2016 Cycle
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Clarifications to MFRS 15
Amendments to MFRS 140 Transfers of Investment Property
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
MFRS 16 Leases
IC Interpretation 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015–2017 Cycle

Effective for financial periods beginning on or after 1 January 2021
MFRS 17 Insurance Contracts

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. A brief description of new MFRS that is considered substantially material to the Group and the Bank is set out 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. Retrospective application is required, but comparative information is not compulsory.

2. Significant Accounting Policies (Continued)

2.3 Standards Issued but not yet Effective (Continued)

MFRS 9 Financial Instruments (Continued)

A brief description of the MFRS 9 and its implications to the Group and Bank is set as below:

(a) Classification and Measurement

MFRS 9 has three measurement categories - Amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments 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 solely payment of principal and interest/profit. 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.

Having completed its initial assessment, the Bank has concluded that:

- The financial assets that are classified as loans and receivables under MFRS 139 are expected to be measured at amortised cost under MFRS 9.
- Financial assets held-for-trading are expected to continue to be measured at fair value through profit or loss.
- The majority of the debts securities classified as available-for-sale under MFRS 139 are expected to be measured at amortised cost or fair value in other comprehensive income.
- Equity investments previously measured at cost will be measured at fair value through other comprehensive income (without recycling to profit or loss).

(b) Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income and certain loan and financing commitments as well as financial guarantee contracts. The allowance for impairment is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Bank has grouped its financial assets which are subject to credit risk into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1:
  Performing loans/financing: When loans and financing are first recognised, the Bank recognises an allowance based on 12 month expected credit loss.
- Stage 2:
  Underperfoming loans/financing: When loans and financing show significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.
- Stage 3:
  Impaired loans/financing: the Bank recognises the lifetime expected credit losses for these impaired loans and financing with 100% probability of default.

The assessment of credit risk, as well as the estimation of expected credit losses, are 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.

The Bank does not foresee any material impact arising from the adoption of the expected credit losses computation upon adoption of MFRS 9 as at 1 January 2018.

(c) Hedge Accounting

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

The Bank has decided to continue to apply hedge accounting under MFRS 139 upon adoption of MFRS 9 as MFRS 9 allows the Bank to continue applying its existing practice for hedge accounting.

The overall adoption of the MFRS 9 will result in changes to the presentation and disclosures of the Bank's financial instruments in which more extensive disclosures are required.

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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(a) Subsidiaries and Basis of Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

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

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

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

(ii) Basis of Consolidation

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

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

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

(b) Associate

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

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the carrying amount of the investment in an associate is adjusted for post-acquisition changes in the Group's share of net assets of the associate.

The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes, when applicable, in the statement of changes in equity. In applying the equity method, unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

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

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

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued

(b) Associate (Continued)

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

The most recently available audited financial statements of the associate are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived 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 is stated at cost less impairment loss.

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

(c) Goodwill

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

(d) Recognition of Interest/Profit Income

Interest/profit income is recognised using the effective interest/profit method. Interest/profit income includes the amortisation of premium or accretion of discount. The effective interest/profit method applies the rate that exactly discounts estimated future cash receipts through the effective life of the financial instrument to the net carrying amount of the financial asset.

(e) Recognition of Fees, Commission Income, Dividends and Other Income

Fees and commission income are recognised in the accounting period when services are rendered. For services that are provided over a period of time, material fees and commission income are recognised over the service period.

Dividends from subsidiaries and an associate, securities at 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 are 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.

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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(g) Financial Assets and Financial Liabilities (Continued)

(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/profit and dividend income. Exchange differences, interest/profit 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/profit method, less impairment, if any.

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

(iii) Offsetting of Financial Instruments

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

(iv) Recognition and Derecognition

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

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

(v) Classification of Impaired Loans, Advances and Financing

The Bank classifies a loan or advance or financing as impaired when there is objective evidence that the loan or advance or financing 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 of the loan/financing is past due for more than 90 days or 3 months. In the case of revolving facilities (e.g. overdraft facilities), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months; or

- where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan/financing exhibits weaknesses in accordance with the banking institution's credit risk grading framework.

- when the loan/financing is classified as rescheduled and restructured in Central Credit Reference Information System (CCRIS).

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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(g) Financial Assets and Financial Liabilities (Continued)

(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 original effective interest/profit 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.

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

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(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 (OCI) 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 recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

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

Leasehold land	50 years or lease period, whichever is shorter
Buildings	2%
Office furniture, fittings and equipment	10 - 20%
Computer equipment and software	12.5 - 33⅓%
Motor vehicles	20%

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

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

(k) Leases

(i) 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.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(m) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Bank are presented in Ringgit Malaysia, which is also the Bank's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Bank's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

(n) Income and Deferred Taxes

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

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

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

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

(o) Employee Benefits

(i) Short-Term Employee Benefits

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

(ii) Post-Employment Benefits - Defined Contribution Plans

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

(p) Share-Based Payment

Cost of equity-settled share based compensation (being the fair value at grant date) is expensed 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 impact 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's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

2. Significant Accounting Policies (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(s) Provisions

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

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

(t) Subordinated Bonds

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

(u) Share Capital and Share Issuance Expenses

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

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

(v) Precious Metal

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

(w) Hedge Accounting

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

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

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

(i) Fair Value Hedges

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

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

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

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

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

2. Significant Accounting Policies (Continued)

2.5 Significant Accounting Estimates and Judgements

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

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

(a) **Allowances for Losses on Loans, Advances and Financing**

The Group and the Bank assess at the end of each reporting period whether there is objective evidence that a loan or advance or financing is impaired. Loans, advances and financing 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, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing 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 or financing portfolio (such as levels of arrears, credit utilisation, loan/financing-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 amounts of allowances for losses on loans, advances and financing recognised by the Group and the Bank are as disclosed in Note 8.

(b) **Level 3 Fair Value Estimation for Financial Instruments and Land and Buildings**

The fair value of financial instruments, land and buildings are the price that would be received to sell an asset in the principal (or most advantageous) market at the measurement date under the current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The key assumptions used to determine the fair value are as disclosed in Note 22(c).

3. Cash and Short-Term Funds

	Group and Bank	
	2017 RM'000	2016 RM'000
Cash and balances with banks and other financial institutions	576,916	995,640
Money at call and deposit placements maturing within one month	7,862,000	10,810,100
	8,438,916	11,805,740

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	
	2017 RM'000	2016 RM'000
Assets received for Reverse Repo transactions, at amortised cost	1,079,420	644,041

5. Deposits and Placements with Financial Institutions

	Group and Bank	
	2017 RM'000	2016 RM'000
Licensed bank	150,000	-
Bank Negara Malaysia	-	589,100
	150,000	589,100

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

	Group and Bank	
	2017 RM'000	2016 RM'000
Held-for-trading securities		
At fair value		
Malaysian Government treasury bills	29,415	119,049
Malaysian Government securities	-	59,526
Negotiable instruments of deposits	200,040	-
Bankers' acceptances	-	49,480
	229,455	228,055

7. Available-For-Sale (AFS) Securities

	Group and Bank	
	2017 RM'000	2016 RM'000
At fair value		
Money market instruments		
Malaysian Government securities	5,379,150	3,745,842
Negotiable instruments of deposits	3,850,480	1,600,220
Cagamas bonds	1,490,494	1,262,029
	10,720,124	6,608,091
Private debt securities of companies incorporated in Malaysia		
Quoted corporate bonds	188,571	177,152
Impairment loss	(39,960)	(39,960)
	148,611	137,192
Quoted securities		
Shares of corporations in Malaysia	2,569	2,893
Unquoted securities		
Shares of corporations in Malaysia	137,947	123,128
At cost		
Unquoted securities		
Private debt securities	276	276
Total AFS securities	11,009,527	6,871,580
Movements in allowance for impairment on private debt securities are as follows:		
Balance as at 1 January/31 December	(39,960)	(39,960)

8. Loans, Advances and Financing

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Overdrafts	3,186,510	3,141,034	3,186,510	3,141,034
Term loans/financing and revolving credits				
- Housing loans/financing	29,291,401	27,400,049	29,291,401	27,400,049
- Syndicated term loans/financing	544,209	827,109	544,209	827,109
- Other term loans/financing*	34,922,311	35,012,327	35,036,948	35,193,903
Credit cards receivables	2,600,791	2,458,943	2,600,791	2,458,943
Bills receivables	1,178,127	2,052,783	1,178,127	2,052,783
Trust receipts	2,184,802	2,127,203	2,184,802	2,127,203
Claims on customers under acceptance credits	5,270,115	4,826,146	5,270,115	4,826,146
Staff loans	39,057	44,929	39,057	44,929
Others	12,050	14,479	12,050	14,479
	79,229,373	77,905,002	79,344,010	78,086,578
Unearned interest/income	(129,980)	(97,733)	(129,980)	(97,733)
Gross loans, advances and financing	79,099,393	77,807,269	79,214,030	77,988,845
Allowances for impairment on loans, advances and financing				
- Individual impairment	(310,143)	(233,670)	(310,143)	(233,670)
- Collective impairment	(1,227,949)	(1,123,467)	(1,228,857)	(1,125,048)
Net loans, advances and financing	77,561,301	76,450,132	77,675,030	76,630,127

* Other term loans/financing include the following:

	Group 2017	Group 2016	Bank 2017	Bank 2016
Loans/financing to subsidiaries				
- UOB Properties Bhd	-	-	114,637	141,154
- UOB Properties (KL) Bhd	-	-	-	40,422
	-	-	114,637	181,576

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

	Group 2017	Group 2016	Bank 2017	Bank 2016
Maturing within one year	22,606,194	22,108,480	22,606,194	22,108,480
One year to three years	4,079,050	4,099,853	4,193,687	4,281,429
Three years to five years	4,535,444	4,591,593	4,535,444	4,591,593
Over five years	47,878,705	47,007,343	47,878,705	47,007,343
	79,099,393	77,807,269	79,214,030	77,988,845

8. Loans, Advances and Financing (Continued)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(ii) Gross loans, advances and financing by type of customers:				
Domestic banking institutions	-	29,626	-	29,626
Domestic non-banking financial institutions				
- Stockbroking companies	22,047	13,007	22,047	13,007
- Others	579,005	441,181	579,005	441,181
Domestic business enterprises				
- Small and medium enterprises	17,074,341	16,430,245	17,074,341	16,430,245
- Others	14,809,905	15,553,005	14,924,542	15,734,581
Individuals	39,333,330	37,300,286	39,333,330	37,300,286
Foreign entities	7,280,765	8,039,919	7,280,765	8,039,919
	79,099,393	77,807,269	79,214,030	77,988,845

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(iii) Gross loans, advances and financing by interest/ profit rate sensitivity:				
Fixed rate				
- Housing loans/financing	38,422	33,940	38,422	33,940
- Other fixed rate loans/financing	8,613,910	7,956,309	8,613,910	7,956,309
Variable rate				
- Base rate/base lending/financing rate-plus	51,846,728	49,800,201	51,846,728	49,800,201
- Cost-plus	17,773,452	18,953,635	17,888,089	19,135,211
- Other variable rates	826,881	1,063,184	826,881	1,063,184
	79,099,393	77,807,269	79,214,030	77,988,845

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(iv) Gross loans, advances and financing by economic sectors:				
Agriculture, hunting, forestry and fishing	1,251,997	1,235,844	1,251,997	1,235,844
Mining and quarrying	1,176,581	1,942,858	1,176,581	1,942,858
Manufacturing	6,331,060	5,626,009	6,331,060	5,626,009
Electricity, gas and water	131,078	92,441	131,078	92,441
Construction	6,909,577	7,250,289	6,909,577	7,250,289
Wholesale, retail trade, restaurants and hotels	9,970,141	9,454,824	9,970,141	9,454,824
Transport, storage and communication	1,217,056	1,252,791	1,217,056	1,252,791
Finance, insurance and business services	3,099,679	3,279,876	3,099,679	3,279,876
Real estate	4,275,124	5,071,053	4,389,761	5,252,629
Community, social and personal services	154,374	150,689	154,374	150,689
Households				
- purchase of residential properties	30,114,804	28,258,859	30,114,804	28,258,859
- purchase of non-residential properties	9,065,647	8,988,061	9,065,647	8,988,061
- others	5,402,275	5,203,675	5,402,275	5,203,675
	79,099,393	77,807,269	79,214,030	77,988,845

8. Loans, Advances and Financing (Continued)

(v) **Movements in impaired loans, advances and financing are as follows:**

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
At beginning of the financial year	1,226,347	1,216,181
Classified as impaired during the financial year	907,062	872,015
Amounts recovered	(378,498)	(322,069)
Reclassified as non-impaired	(258,288)	(417,263)
Amounts written-off	(146,204)	(122,517)
At end of the financial year	1,350,419	1,226,347
Individual impairment	(310,143)	(233,670)
Net impaired loans, advances and financing	1,040,276	992,677
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less individual impairment provisions	1.3%	1.3%

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Collective impairment				
Balance as at 1 January	1,123,467	1,019,498	1,125,048	1,019,498
Impairment loss during the financial year, net (Note 29)	104,482	103,969	103,809	105,550
Balance as at 31 December	1,227,949	1,123,467	1,228,857	1,125,048

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Individual impairment		
Balance as at 1 January	233,670	183,854
Impairment loss during the financial year (Note 29)	332,656	275,821
Amounts written-back in respect of recoveries (Note 29)	(119,569)	(91,718)
Amounts written-off	(128,265)	(126,610)
Interest/profit recognised on impaired loans/financing	(7,016)	(6,885)
Others	(1,333)	(792)
Balance as at 31 December	310,143	233,670

8. Loans, Advances and Financing (Continued)

(vii) Impaired loans, advances and financing analysed by economic sectors are as follows:

	Group and Bank	
	2017 RM'000	2016 RM'000
Agriculture, hunting, forestry and fishing	11,161	14,255
Manufacturing	140,079	134,662
Construction	138,526	162,417
Wholesale, retail trade, restaurants and hotels	133,802	126,630
Transport, storage and communication	142,836	99,836
Finance, insurance and business services	127,092	138,881
Real estate	121,485	47,759
Community, social and personal services	737	953
Households		
- purchase of residential properties	381,318	359,551
- purchase of non-residential properties	60,201	46,064
- others	93,182	95,339
	1,350,419	1,226,347

(viii) Impaired loans, advances and financing analysed by geographical distribution are as follows:

In Malaysia	1,350,419	1,226,347

9. Other Assets

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables, deposits and prepayments (Note (a))	45,359	125,204	48,709	138,738
Accrued interest/income receivable	151,637	101,508	151,637	101,508
Amount due from subsidiaries (Note (b))	-	-	137	142
Amount due from ultimate holding company (Note (c))	6,861	-	6,861	-
Precious metal accounts (Note (d))	204,212	247,654	204,212	247,654
	408,069	474,366	411,556	488,042

(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, and carried at cost.

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

(c) Amount due from ultimate holding company are unsecured, interest free and repayable on demand.

(d) As at 31 December 2017, precious metal accounts comprise the following:

(i) Precious metals on-loan to customers of the Bank are directly sought from the gold market amounting to RM29,531,000 (2016: RM28,016,000). The net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM48,195,000 (2016: RM47,310,000) net of cash collateral received from the customers of RM24,691,000 (2016: RM24,495,000).

(ii) Precious metals lent to the ultimate holding company amounting to RM110,465,000 (2016: RM129,090,000).

(iii) Precious metal accounts due from financial institutions amounting to RM40,712,000 (2016: RM67,733,000).

9. Other Assets (Continued)

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

10. 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	
	2017 RM'000	2016 RM'000
Unquoted shares in Malaysia, at cost		
Balance as at 1 January	40	50
Dissolution of a subsidiary	^	(10)
Balance as at 31 December	40	40
Redeemable preference shares in Malaysia, at cost		
Balance as at 1 January	-	-
Subscription of preference shares (Note (a))	120,000	-
Balance as at 31 December	120,000	-
Total investment in subsidiaries	120,040	40

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
		2017	2016	
	RM	%	%	
UOB Properties (KL) Bhd (held directly by UOB Properties Bhd)	2	100	100	Property investment holding and property management company
UOB Properties Bhd	7	100	100	Property holding company
UOBM Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOBM Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
UOB Credit Bhd	2	100	100	Dormant
UOB 2006 Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
United Overseas Nominees (Asing) Sdn Bhd (in Members' voluntary winding up)	10,000	100	100	Dormant
UOB 2006 Nominees (Asing) Sdn Bhd (in Members' voluntary winding up)	10,000	100	100	Nominee services
United Overseas Nominees (Tempatan) Sdn Bhd (dissolved on 5 July 2017)	20	100	100	Dormant

^ The balances on the disolution of a subsidiary is equal to RM20.

11. Investment in Subsidiaries (Continued)

(a) In July 2017, the Board of UOB Properties (KL) Bhd approved the issuance of redeemable preference shares amounting to RM600,000,000 over the period from 1 July 2017 to 31 January 2021. As at 31 December 2017, the Bank has subscribed to 120,000,000 units of redeemable preference shares amounting to RM120,000,000. The preference shares rank ahead of the ordinary shares in the event of liquidation. The redemption of the redeemable preference shares are solely at the discretion of UOB Properties (KL) Bhd and it does not carry the right to any dividends.

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

All of the subsidiaries are audited by Ernst & Young.

12. Investment in an Associate

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	33,277	33,277	33,277	33,277
Dividend received (Note 26)	(1,921)	-	-	-
Share of post-acquisition deficit	(1,747)	(1,968)	-	-
	29,609	31,309	33,277	33,277
Accumulated impairment loss	(19,755)	(19,755)	(19,755)	(19,755)
	9,854	11,554	13,522	13,522

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

	Group's effective interest		Principal activities	Accounting model applied
	2017 %	2016 %		
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 as at 31 December is as follows:

	2017 RM'000	2016 RM'000
Assets and liabilities		
Current assets	20,209	23,686
Total assets	20,209	23,686
Current liabilities	17	24
Total liabilities	17	24
Results		
Revenue	651	751
Profit before taxation	604	666
Profit for the year	451	491

At 31 December 2017, the amount of goodwill included within the Group's carrying amount of investment in an associate is RM19,755,000 (2016: 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
2017								
Cost or valuation								
At 1 January								
At cost	-	-	-	216,428	426,520	7,616	105,302	755,866
At valuation	60,382	81,068	187,175	-	-	-	-	328,625
	60,382	81,068	187,175	216,428	426,520	7,616	105,302	1,084,491
Additions	-	-	-	6,176	27,243	2,942	55,737	92,098
Reclassifications	-	-	-	6,479	20,653	-	(27,132)	-
Disposals	-	-	-	(135)	(2,810)	(3,378)	-	(6,323)
At 31 December	60,382	81,068	187,175	228,948	471,606	7,180	133,907	1,170,266
Representing:								
At cost	-	-	-	228,948	471,606	7,180	133,907	841,641
At valuation	60,382	81,068	187,175	-	-	-	-	328,625
At 31 December	60,382	81,068	187,175	228,948	471,606	7,180	133,907	1,170,266
Accumulated depreciation								
At 1 January	-	14,781	84,208	149,739	297,936	6,463	-	553,127
Depreciation charge (Note 27)	-	1,166	6,531	11,803	35,795	1,235	-	56,530
Disposals	-	-	-	(69)	(2,806)	(3,378)	-	(6,253)
At 31 December	-	15,947	90,739	161,473	330,925	4,320	-	603,404
Impairment loss								
At 1 January	-	-	790	-	-	-	-	790
Additional	-	-	4,791	-	-	-	-	4,791
At 31 December	-	-	5,581	-	-	-	-	5,581
Net carrying amount								
At cost	-	-	-	67,475	140,681	2,860	133,907	344,923
At valuation	60,382	65,121	90,855	-	-	-	-	216,358
At 31 December	60,382	65,121	90,855	67,475	140,681	2,860	133,907	561,281

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
2016								
Cost or valuation								
At 1 January								
At cost	-	-	-	201,217	380,399	7,494	90,780	679,890
At valuation	60,382	81,068	183,931	-	-	-	-	325,381
	60,382	81,068	183,931	201,217	380,399	7,494	90,780	1,005,271
Additions	-	-	-	11,239	41,928	122	27,836	81,125
Reclassifications	-	-	3,244	4,057	6,013	-	(13,314)	-
Disposals	-	-	-	(85)	(1,820)	-	-	(1,905)
At 31 December	60,382	81,068	187,175	216,428	426,520	7,616	105,302	1,084,491
Representing:								
At cost	-	-	-	216,428	426,520	7,616	105,302	755,866
At valuation	60,382	81,068	187,175	-	-	-	-	328,625
At 31 December	60,382	81,068	187,175	216,428	426,520	7,616	105,302	1,084,491
Accumulated depreciation								
At 1 January	-	13,615	76,592	138,214	267,156	5,702	-	501,279
Depreciation charge (Note 27)	-	1,166	7,616	11,610	32,593	761	-	53,746
Disposals	-	-	-	(85)	(1,813)	-	-	(1,898)
At 31 December	-	14,781	84,208	149,739	297,936	6,463	-	553,127
Impairment loss								
At 1 January/31 December	-	-	790	-	-	-	-	790
Net carrying amount								
At cost	-	-	-	66,689	128,584	1,153	105,302	301,728
At valuation	60,382	66,287	102,177	-	-	-	-	228,846
At 31 December	60,382	66,287	102,177	66,689	128,584	1,153	105,302	530,574

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
2017								
Cost								
At 1 January	-	-	-	210,933	426,452	7,616	40,253	685,254
Additions	-	-	-	6,011	27,213	2,942	20,060	56,226
Reclassifications	-	-	-	3,738	20,653	-	(24,391)	-
Disposals	-	-	-	(135)	(2,810)	(3,378)	-	(6,323)
At 31 December	-	-	-	220,547	471,508	7,180	35,922	735,157
Accumulated depreciation								
At 1 January	-	-	-	149,153	297,910	6,463	-	453,526
Depreciation charge (Note 27)	-	-	-	11,110	35,783	1,234	-	48,127
Disposals	-	-	-	(69)	(2,806)	(3,378)	-	(6,253)
At 31 December	-	-	-	160,194	330,887	4,319	-	495,400
Net carrying amount								
At 31 December	-	-	-	60,353	140,621	2,861	35,922	239,757
2016								
Cost								
At 1 January	-	-	-	198,359	380,372	7,494	33,537	619,762
Additions	-	-	-	10,129	41,887	122	15,259	67,397
Reclassifications	-	-	-	2,530	6,013	-	(8,543)	-
Disposals	-	-	-	(85)	(1,820)	-	-	(1,905)
At 31 December	-	-	-	210,933	426,452	7,616	40,253	685,254
Accumulated depreciation								
At 1 January	-	-	-	138,007	267,143	5,702	-	410,852
Depreciation charge (Note 27)	-	-	-	11,231	32,580	761	-	44,572
Disposals	-	-	-	(85)	(1,813)	-	-	(1,898)
At 31 December	-	-	-	149,153	297,910	6,463	-	453,526
Net carrying amount								
At 31 December	-	-	-	61,780	128,542	1,153	40,253	231,728

13. Property, Plant and Equipment (Continued)

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

	Group	
	2017 RM'000	2016 RM'000
Freehold land	18,508	18,508
Freehold buildings	12,501	12,945
Leasehold land and buildings	38,139	39,391
	69,148	70,844

14. Deferred Tax Assets/(Liabilities)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	31,498	25,086	46,052	40,903
Charged to the income statements (Note 30)	56,977	1,900	56,181	2,183
Recognised in other comprehensive income	(13,897)	4,512	(13,897)	2,966
At 31 December	74,578	31,498	88,336	46,052

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets, net	88,336	46,052	88,336	46,052
Deferred tax liabilities, net	(13,758)	(14,554)	-	-
	74,578	31,498	88,336	46,052

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

	Group		Bank	
	2016 RM'000	2016 RM'000	2016 RM'000	2016 RM'000
Deferred tax assets	138,579	87,607	138,450	87,478
Deferred tax liabilities	(64,001)	(56,109)	(50,114)	(41,426)
	74,578	31,498	88,336	46,052

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

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

Deferred tax assets

	Group			
	Provisions RM'000	Other temporary difference RM'000	Deferred income RM'000	Total RM'000
At 1 January 2016	61,285	(38,033)	59,723	82,975
Charged to income statements	(5,237)	15,519	(5,650)	4,632
At 31 December 2016	56,048	(22,514)	54,073	87,607
Charged to income statements	11,759	46,702	(7,489)	50,972
At 31 December 2017	67,807	24,188	46,584	138,579

Deferred tax liabilities

	Group		
	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Total RM'000
At 1 January 2016	39,093	18,796	57,889
Charged to income statements	2,732	-	2,732
Recognised in other comprehensive income	(1,546)	(2,966)	(4,512)
At 31 December 2016	40,279	15,830	56,109
Charged to income statements	(6,005)	-	(6,005)
Recognised in other comprehensive income	-	13,897	13,897
At 31 December 2017	34,274	29,727	64,001

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

Deferred tax assets

	Bank			
	Provisions RM'000	Other temporary difference RM'000	Deferred income RM'000	Total RM'000
At 1 January 2016	61,007	(38,033)	59,723	82,697
Charged to income statements	(5,088)	15,519	(5,650)	4,781
At 31 December 2016	55,919	(22,514)	54,073	87,478
Charged to income statements	11,759	46,702	(7,489)	50,972
At 31 December 2017	67,678	24,188	46,584	138,450

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

Deferred tax liabilities

	Bank		
	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Total RM'000
At 1 January 2016	22,998	18,796	41,794
Charged to income statements	2,598	-	2,598
Recognised in other comprehensive income	-	(2,966)	(2,966)
At 31 December 2016	25,596	15,830	41,426
Charged to income statements	(5,209)	-	(5,209)
Recognised in other comprehensive income	-	13,897	13,897
At 31 December 2017	20,387	29,727	50,114

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

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	131	131
Unabsorbed capital allowances	11,069	11,069
	11,200	11,200

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

15. Deposits from Customers

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Demand deposits #	20,885,858	21,416,915	20,901,732	21,419,651
Savings deposits	1,891,887	1,490,000	1,891,887	1,490,000
Fixed deposits #	53,847,599	52,339,532	53,847,599	52,340,717
Others	6,763,441	6,938,229	6,763,441	6,938,229
	83,388,785	82,184,676	83,404,659	82,188,597

15. Deposits from Customers (Continued)

Demand deposits and fixed deposits include the following:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Demand deposit from subsidiaries				
- UOB Properties Bhd	-	-	1,207	1,545
- UOB Properties (KL) Bhd	-	-	14,667	1,191
	-	-	15,874	2,736
Demand deposit from related companies				
- UOB Centre of Excellence (M) Sdn Bhd	500	140	500	140
- Chung Khiaw Realty Limited	243	2,251	243	2,251
	743	2,391	743	2,391
Fixed deposit from a subsidiary				
- UOB Properties Bhd	-	-	-	1,185
Fixed deposit from a related company				
- Chung Khiaw Realty Limited	346	6,076	346	6,076

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Due within six months	34,109,466	34,618,892	34,109,466	34,620,077
Six months to one year	19,680,142	17,620,720	19,680,142	17,620,720
One year to three years	56,847	98,576	56,847	98,576
Three years to five years	1,144	1,344	1,144	1,344
	53,847,599	52,339,532	53,847,599	52,340,717

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Business enterprises				
- Subsidiaries	-	-	15,874	3,921
- Related companies	1,089	8,467	1,089	8,467
- Others	33,237,005	33,849,276	33,237,005	33,849,276
Individuals	44,326,247	43,105,992	44,326,247	43,105,992
Others	5,824,444	5,220,941	5,824,444	5,220,941
	83,388,785	82,184,676	83,404,659	82,188,597

16. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Licensed banks in Malaysia	422,234	1,980,357	422,234	1,980,357
Bank Negara Malaysia*	1,211,835	1,384,357	1,211,835	1,384,357
Other financial institutions**	2,767,621	1,507,989	2,767,651	1,508,019
	4,401,690	4,872,703	4,401,720	4,872,733

* Included in the deposits from BNM is an amount of RM1,139,850,000 (2016: RM1,381,483,000) 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.

** Included in the deposits from other financial institutions are the deposit placement from ultimate holding company amounting to RM2,758,072,000 (2016: RM1,467,450,000), deposit placement from subsidiaries amounting to RM30,000 (2016: RM30,000) and deposit placement from fellow subsidiaries amounting to RM6,862,000 (2016: RM32,518,000).

17. Other Liabilities

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Provision for commitments and contingencies (Note (a))	17,111	20,292	17,111	20,292
Accrued interest payable	708,543	778,697	708,543	778,697
Accruals and provisions for operational expenses	246,000	172,502	244,169	171,057
Other payables and accruals (Note (b))	1,196,174	1,217,651	1,196,120	1,216,770
Deferred income (Note (c))	194,311	225,515	194,311	225,515
	2,362,139	2,414,657	2,360,254	2,412,331

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

	Group and Bank	
	2017 RM'000	2016 RM'000
At 1 January	20,292	24,516
Write-back during the year	(3,343)	(4,224)
Foreign translation loss	162	-
At 31 December	17,111	20,292

(b) Included in other payables and accruals are 'Customer Gold Accounts' amounting to RM233,872,000 (2016: RM274,544,000).

(c) Included in deferred income is 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	
	2017 RM'000	2016 RM'000
RM500 million subordinated bonds 2013/2023, at par (Note (a))	500,000	500,000
RM1 billion subordinated bond 2015/2025, at par (Note (b))	1,002,702	1,003,784
	1,502,702	1,503,784
Accumulated fair value hedge loss (Note (b))	(2,702)	(3,784)

(a) On 30 August 2013, the Bank issued RM500 million Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) ("the Bond 1").

The Bond 1 bears 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 Bond 1 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 Bond 1 qualifies as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

(b) On 8 May 2015, the Bank issued RM1 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) ("the Bond 2").

The Bond 2 bears interest at the rate of 4.65% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 2 may be redeemed at par at the option of the Bank, in part or in whole, on 8 May 2020 or at any interest payment date thereafter.

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

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

Fair value hedge

The Bank uses fair value hedge to protect changes in fair value of the Bond 2. The Bank primarily uses interest rate swap as hedge of interest rate risk.

As at 31 December 2017, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (2016: RM500 million) whereby the Bank receives payment at a fixed interest rate of 4.65% per annum and make payments based on a variable interest rate of 6-month KLIBOR plus 0.590% to 0.725% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of the Bond 2, which has a fixed rate.

The movements in fair value of the interest rate swap of RM1,082,000 (2016: RM4,057,000) are recognised in trading and investment income during the year. There is no ineffectiveness recognised for this hedge.

18. Subordinated Bonds (Continued)

Fair value hedge (Continued)

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

	Group and Bank	
	2017 RM'000	2016 RM'000
(Loss)/gain on hedging instrument	(1,082)	4,057
Gain/(loss) on the hedged item attributable to the hedged risk (Note 26)	1,082	(4,057)
	-	-

19. Share Capital

	Group and Bank 2017		Group and Bank 2016	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid ordinary shares				
Balance at 1 January	470,000	470,000	470,000	470,000
Effect of implementation of Companies Act 2016 (Note 20(a))	-	322,555	-	-
Balance at 31 December	470,000	792,555	470,000	470,000

During the year, the Companies Act 2016 has replaced the Companies Act, 1965. In accordance with Companies Act 2016, the authorised share capital of the Group and the Bank was removed and all ordinary shares have ceased to have par value.

20. Reserves

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable					
Share premium	(a)	-	322,555	-	322,555
Statutory reserve	(b)	-	470,000	-	470,000
Revaluation reserve	(c)	146,736	146,736	-	-
Net unrealised reserve on AFS securities		101,037	57,029	94,135	50,127
		247,773	996,320	94,135	842,682
Distributable					
Retained profits	(d)	8,261,176	7,032,664	8,335,026	7,097,119
Total reserves		8,508,949	8,028,984	8,429,161	7,939,801

20. Reserves (Continued)

(a) With the enactment of Companies Act 2016, the Bank's share premium account will become part of the Bank's share capital. Therefore, during the year, the Bank had transferred a total of RM322,555,000 from its share premium account to the share capital.

(b) The statutory reserve is no longer required under the revised BNM policy document on Capital Funds, issued on 3 May 2017. Therefore, during the year, the Bank had transferred RM470,000,000 from its statutory reserve to retained profits.

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

(d) The Bank may distribute dividends out of its entire retained profits as at 31 December 2017 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 for customers, 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
2017			
Foreign exchange contracts			
- forwards	8,459,626	61,201	252,042
- swaps	15,252,340	232,044	141,989
- options	691,256	11,295	8,494
Interest rate related contracts			
- swaps	22,329,026	234,932	145,484
- futures	945,631	163	-
Equity related contracts			
- swaps	183,900	4,498	4,498
- options	1,374,664	37,310	37,310
Commodity related contracts			
- swaps	218,533	6,326	11,019
- futures	125,299	4,391	166
- options	409,381	-	264
		592,160	601,266

21. Financial Derivatives (Continued)

The fair values of the derivatives are as follows (Continued):

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2016			
Foreign exchange contracts			
- forwards	8,801,305	361,477	69,132
- swaps	7,708,573	57,101	255,638
- options	747,239	11,610	8,564
Interest rate related contracts			
- swaps	27,438,123	270,447	331,307
- futures	874,770	248	16
Equity related contracts			
- swaps	237,424	43,247	43,247
- options	748,187	6,153	6,153
Commodity related contracts			
- swaps	305,016	16,773	15,981
- futures	50,281	866	1,026
- options	221,225	1,059	-
		768,981	731,064

The table above analyses the principal amounts and the positive and negative fair values of the Group's and the Bank's financial derivatives. The notional amounts of these instruments indicate the value of transactions outstanding at the reporting date for both trading and hedging instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore, do not represent total amount of risk. The positive and negative fair values represent the favourable and unfavourable fair values respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

22. Fair Value of Assets and Liabilities

(a) Determination of fair values and fair values hierarchy

Where available, quoted and observable market prices are used as the measure of fair values. 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 from the London Bullion Market Association.

22. Fair Value of Assets and Liabilities (Continued)

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

(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.

(iv) Fair value of land and buildings is determined by a registered valuer, using the comparison approach.

Level 1 - Unadjusted quoted prices in active market for identical financial instruments.
Level 2 - Inputs other than quoted prices that are observable either directly or indirectly.
Level 3 - Inputs that are not based on observable market data.

(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.

	2017			
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL	-	229,455	-	229,455
AFS securities*	2,569	10,868,735	137,947	11,009,251
Derivative financial assets	-	592,160	-	592,160
Precious metal accounts	204,212	-	-	204,212
Land and buildings	-	-	216,358	216,358
Total	206,781	11,690,350	354,305	12,251,436
Liabilities				
Derivative financial liabilities	-	601,266	-	601,266
Total	-	601,266	-	601,266

	2016			
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL	-	228,055	-	228,055
AFS securities*	2,893	6,745,283	123,128	6,871,304
Derivative financial assets	-	768,981	-	768,981
Precious metal accounts	247,654	-	-	247,654
Land and buildings	-	-	228,846	228,846
Total	250,547	7,742,319	351,974	8,344,840
Liabilities				
Derivative financial liabilities	-	731,064	-	731,064
Total	-	731,064	-	731,064

22. Fair Value of Assets and Liabilities (Continued)

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

Bank	2017 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	-	229,455	-	229,455
AFS securities*	2,569	10,868,735	137,947	11,009,251
Derivative financial assets	-	592,160	-	592,160
Precious metal accounts	204,212	-	-	204,212
Total	206,781	11,690,350	137,947	12,035,078
Liabilities				
Derivative financial liabilities	-	601,266	-	601,266
Total	-	601,266	-	601,266

Bank	2016 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL	-	228,055	-	228,055
AFS securities*	2,893	6,745,283	123,128	6,871,304
Derivative financial assets	-	768,981	-	768,981
Precious metal accounts	247,654	-	-	247,654
Total	250,547	7,742,319	123,128	8,115,994
Liabilities				
Derivative financial liabilities	-	731,064	-	731,064
Total	-	731,064	-	731,064

* Excluding unquoted private debt securities.

22. Fair Value of Assets and Liabilities (Continued)

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

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

The fair value of the Bond 1 is estimated based on prevailing market rates of the subordinated bond of similar credit risks and maturity. For fair value of the Bond 2, the fair value is estimated based on independent brokers' quotation.

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

	2017		2016	
Group	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Assets				
Gross loans, advances and financing	79,099,393	78,506,803	77,807,269	77,218,077
Liabilities				
Subordinated bonds	1,502,702	1,503,650	1,503,784	1,501,510
Bank				
Assets				
Gross loans, advances and financing	79,214,030	78,621,440	77,988,845	77,399,653
Liabilities				
Subordinated bonds	1,502,702	1,503,650	1,503,784	1,501,510

The following tables show the fair values of the Group's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy.

	2017			
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans, advances and financing	-	78,506,803	-	78,506,803
Liabilities				
Subordinated bonds	-	1,503,650	-	1,503,650

	2016			
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Loans, advances and financing	-	77,218,077	-	77,218,077
Liabilities				
Subordinated bonds	-	1,501,510	-	1,501,510

22. Fair Value of Assets and Liabilities (Continued)

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

The following tables show the fair values of the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy.

	2017			
Bank	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Loans, advances and financing	-	78,621,440	-	78,621,440
Liabilities				
Subordinated bonds	-	1,503,650	-	1,503,650

	2016			
Bank	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Loans, advances and financing	-	77,399,653	-	77,399,653
Liabilities				
Subordinated bonds	-	1,501,510	-	1,501,510

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

Reconciliation of fair value/revalued amount:

	Group and Bank	Group
	AFS securities: unquoted shares RM'000	Land and buildings RM'000
At 1 January 2016	74,795	234,384
Additions	-	3,244
Re-measurement		
- recognised in other comprehensive income	48,333	-
Depreciation (recognised in other operating expenses)	-	(8,782)
At 31 December 2016	123,128	228,846
Re-measurement		
- recognised in other comprehensive income	14,819	-
Depreciation (recognised in other operating expenses)	-	(7,697)
Impairment loss	-	(4,791)
At 31 December 2017	137,947	216,358

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 2016 and 2015 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.

22. Fair Value of Assets and Liabilities (Continued)

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

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 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).

The updated preliminary assessment by Knight Frank Malaysia Sdn Bhd on 31 October 2017 revealed that there have been no significant changes in the value reported as per previous revaluation report on 28 August 2015. The preliminary assessment was conducted based on limited available information.

Area	Significant unobservable valuation input:	Range
Central	Price per square metre	RM2,943 - RM10,592
North	Price per square metre	RM2,191 - RM5,611
South	Price per square metre	RM1,560 - RM11,115
East Coast	Price per square metre	RM2,039 - RM2,267
East Malaysia	Price per square metre	RM2,802 - RM5,530

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

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

Included in the AFS securities as at 31 December 2017 were private debt securities of RM276,000 (2016: 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 values 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/financing income, fee income, investment income/(loss) and other income derived from banking operations.

24. Interest Income

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from loans, advances and financing	3,900,236	3,820,351	3,907,184	3,828,990
Interest income from impaired loans, advances and financing	76,285	86,351	76,285	86,351
Money at call and deposit placements with financial institutions	332,801	377,050	332,801	377,050
Financial assets at FVTPL	47,534	44,692	47,534	44,692
AFS securities	379,740	217,200	379,740	217,200
Others	586	2,902	586	2,902
	4,737,182	4,548,546	4,744,130	4,557,185
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(158)	(527)	(158)	(527)
- AFS securities	(10,672)	(10,780)	(10,672)	(10,780)
	4,726,352	4,537,239	4,733,300	4,545,878

25. Interest Expense

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits from customers	2,516,887	2,485,118	2,516,937	2,485,189
Deposits and placements of banks and other financial institutions	101,040	61,022	101,040	61,022
Subordinated bonds	67,003	68,553	67,003	68,553
Others	18,898	2,818	18,898	2,818
	2,703,828	2,617,511	2,703,878	2,617,582

26. Other Operating Income

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fee income				
- Commission	310,678	247,229	310,678	247,229
- Guarantee fees	77,472	87,894	77,472	87,894
- Service charges and fees	220,082	219,126	220,339	219,382
- Commitment fee	29,753	29,813	29,775	29,822
- Arrangement and participation fees	8,125	24,508	8,125	24,508
	646,110	608,570	646,389	608,835

26. Other Operating Income (Continued)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trading and investment income				
- (Loss)/gain from sale of financial assets at FVTPL	(1,073)	12,156	(1,073)	12,156
- Unrealised gain/(loss) on financial assets at FVTPL	600	(1,285)	600	(1,285)
- Gain/(loss) from trading derivatives	65,939	(6,451)	65,939	(6,451)
- Unrealised (loss)/gain from trading derivatives	(539)	26,614	(539)	26,614
- Unrealised gain/(loss) on fair value hedge (Note 18)	1,082	(4,057)	1,082	(4,057)
- Gain from sale of precious metals	1,071	1,277	1,071	1,277
- Unrealised gain/(loss) from revaluation of precious metals	20	(53)	20	(53)
- Gain from sale of AFS securities	12,327	29,293	12,327	29,293
- Gross dividends from:				
- AFS securities quoted in Malaysia	813	943	813	943
- An associate (Note 12)	-	-	1,921	-
	80,240	58,437	82,161	58,437
Other income				
- Foreign exchange gain, net	170,024	185,028	170,024	185,028
- Rental income from operating leases	279	431	-	-
- Gain on disposal of property, plant and equipment	1,215	37	1,215	37
- (Loss)/gain on dissolution of subsidiaries	-	-	(11)	144
- Others	13,912	14,263	13,918	14,276
	185,430	199,759	185,146	199,485
	911,780	866,766	913,696	866,757

27. Other Operating Expenses

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Personnel expenses	713,851	670,005	709,721	666,230
Establishment related expenses	237,708	229,003	250,816	241,432
Promotion and marketing related expenses	40,993	41,108	40,943	41,077
General administrative expenses	147,780	133,781	147,285	133,552
	1,140,332	1,073,897	1,148,765	1,082,291
Personnel expenses				
- Wages, salaries and bonus	559,713	529,107	556,318	525,990
- Defined contribution plan	88,401	83,428	87,914	82,978
- Other employee benefits	65,737	57,470	65,489	57,262
	713,851	670,005	709,721	666,230

27. Other Operating Expenses (Continued)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Establishment related expenses				
- Depreciation of property, plant and equipment (Note 13)	56,530	53,746	48,127	44,572
- Information technology costs	62,594	63,215	62,594	63,215
- Repair and maintenance	27,923	21,737	26,778	20,801
- Rental of premises	15,223	15,141	34,286	34,120
- Others	75,438	75,164	79,031	78,724
	237,708	229,003	250,816	241,432
Promotion and marketing related expenses				
- Advertising and publicity	40,993	41,108	40,943	41,077
General administrative expenses				
- Fees and commissions paid	56,644	48,919	56,310	48,732
- Auditors' remuneration				
- Statutory audit	544	564	524	544
- Assurance related services	145	115	145	115
- Others	251	65	71	65
	940	744	740	724
- Others	90,196	84,118	90,235	84,096
	147,780	133,781	147,285	133,552

28. Chief Executive Officer, Non-Executive Directors and Shariah Committee Members' Remuneration

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

	Group and Bank	
	2017 RM'000	2016 RM'000
Chief Executive Officer		
- Salary and other remuneration	1,542	1,465
- Bonus	1,504	1,403
- Benefits-in-kind	2,737	902
Non-executive directors		
- Fees	757	730
Shariah Committee members	322	263
	6,862	4,763

28. Chief Executive Officer, Non-Executive Directors and Shariah Committee Members' 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	
	2017	2016
Chief Executive Officer		
RM1 to RM6,000,000	1	1
Non-executive directors		
RM1 to RM100,000	1	1
RM100,001 to RM200,000	5	4

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

	Remuneration received from the Bank				
	Salary RM'000	Fees RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
2017					
Chief Executive Officer					
Wong Kim Choong	1,542	-	1,504	2,737	5,783
Non-executive directors					
Wee Cho Yaw	-	100	-	-	100
Ong Yew Huat	-	200	-	-	200
Dato' Jeffrey Ng Tiong Lip	-	140	-	-	140
Fatimah Binti Merican	-	149	-	-	149
Robert Kwan Koh Wah (retired on 2 October 2017)	-	142	-	-	142
Datuk Abu Huraira Bin Abu Yazid (retired on 3 February 2016)	-	26	-	-	26
	1,542	757	1,504	2,737	6,540
2016					
Chief Executive Officer					
Wong Kim Choong	1,465	-	1,403	902	3,770
Non-executive directors					
Wee Cho Yaw	-	100	-	-	100
Ong Yew Huat	-	200	-	-	200
Dato' Jeffrey Ng Tiong Lip	-	140	-	-	140
Fatimah Binti Merican	-	135	-	-	135
Datuk Abu Huraira Bin Abu Yazid (retired on 3 February 2016)	-	155	-	-	155
	1,465	730	1,403	902	4,500

29. Allowance for Impairment on Loans, Advances and Financing

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Allowance for impaired loans, advances and financing				
(a) individual impairment (Note 8 (vi))				
- made in the financial year	332,656	275,821	332,656	275,821
- written-back in the financial year	(119,569)	(91,718)	(119,569)	(91,718)
(b) collective impairment (Note 8 (vi))				
- made in the financial year, net	104,482	103,969	103,809	105,550
Impaired loans, advances and financing				
- written-off	26,264	2,692	26,264	2,692
- recovered	(51,768)	(41,031)	(51,768)	(41,031)
	292,065	249,733	291,392	251,314

30. Income Tax Expense

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax				
- Malaysian income tax in respect of current financial year	434,125	372,014	431,719	369,156
- Under provision in prior financial years	2,828	1,370	667	1,293
	436,953	373,384	432,386	370,449
Deferred tax (Note 14)				
- Relating to origination and reversal of temporary differences	(57,109)	(6,063)	(56,313)	(6,231)
- Under provision in prior financial years	132	4,163	132	4,048
	(56,977)	(1,900)	(56,181)	(2,183)
	379,976	371,484	376,205	368,266

30. Income Tax Expense (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	1,524,358	1,472,254	1,529,982	1,470,597
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	365,846	353,341	367,196	352,943
Effects of income not subject to tax	(484)	(186)	(484)	(186)
Effects of expenses not deductible for tax purposes	11,707	12,854	8,694	10,168
Effects of share of an associate's post-tax profit included in Group's profit before taxation	(53)	(58)	-	-
Under provision of tax expense in prior years	2,828	1,370	667	1,293
Under provision of deferred tax in prior years	132	4,163	132	4,048
Tax expense for the year	379,976	371,484	376,205	368,266

31. Earnings Per Share

The basic/diluted earnings per ordinary share of the Group has been calculated based on the profit for the year attributable to ordinary shareholders of the Group of RM1,144,382,000 (2016: RM1,100,770,000) and on the number of issued and fully paid ordinary shares during the year of 470,000,000 (2016: 470,000,000).

32. Dividends

	Group and Bank 2017		Group and Bank 2016	
	Net dividend per share sen	Amount of dividend, net of tax RM'000	Net dividend per share sen	Amount of dividend, net of tax RM'000
Final dividend recognised during the year in respect of the previous financial year	82.1	385,870	79.5	373,650
Proposed final dividend for the current financial year	98.2	461,540	82.1	385,870

At the forthcoming Annual General Meeting, a final single-tier dividend of 98.2 sen in respect of the financial year ended 31 December 2017 on 470,000,000 issued and fully paid ordinary shares, amounting to dividend payable of RM461,540,000 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 2018.

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
UOB Bullion and Futures Limited	Fellow subsidiary
United Overseas Bank (Thai) Public Company Limited	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 include non-executive directors of the Bank and certain members of senior management of the Bank.

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

2017	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	797	-	6,948	-	113	-
- Commitment fee	-	-	22	-	-	-
- Dividend income	-	-	-	1,921	-	-
- Service charge income	36	30	257	-	-	34
	833	30	7,227	1,921	113	34
Expenditure						
- Interest on deposits	59,993	-	50	552	746	1,203
- Interest on subordinated bonds	22,750	-	-	-	-	-
- Rental expense	-	-	19,063	-	-	711
- Other expenses	49,147	-	5,120	-	-	-
	131,890	-	24,233	552	746	1,914
Assets						
- Cash and short-term funds	69,532	-	-	-	-	1,314
- Deposits and placements with financial institutions	-	-	-	-	-	10,537
- Loans, advances and financing	-	-	114,637	-	3,503	-
- Other assets	110,465	95	137	-	-	-
	179,997	95	114,774	-	3,503	11,851

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
2017 (Continued)						
Liabilities						
- Deposits from customers	-	-	15,874	20,153	27,310	1,089
- Deposits and placements of banks and other financial institutions	2,758,072	-	30	-	-	6,862
- Other liabilities	28,364	-	-	-	-	-
- Subordinated bonds	500,000	-	-	-	-	-
	3,286,436	-	15,904	20,153	27,310	7,951
2016						
Income						
- Interest on placements, loans and advances	201	-	8,639	-	142	148
- Commitment fee	-	-	9	-	-	-
- Service charge income	36	30	257	-	-	34
	237	30	8,905	-	142	182
Expenditure						
- Interest on deposits	16,321	-	33	738	737	1,311
- Interest on subordinated bonds	22,750	-	-	-	-	-
- Rental expense	-	-	18,979	-	-	710
- Other expenses	43,203	-	5,044	-	-	-
	82,274	-	24,056	738	737	2,021
Assets						
- Cash and short-term funds	71,820	-	-	-	-	3,345
- Deposits and placements with financial institutions	-	-	-	-	-	10,246
- Loans, advances and financing	-	-	181,576	-	3,731	-
- Other assets	129,090	63	142	-	-	-
	200,910	63	181,718	-	3,731	13,591
Liabilities						
- Deposits from customers	-	-	3,921	23,637	27,812	8,467
- Deposits and placements of banks and other financial institutions	1,467,450	-	30	-	-	32,518
- Other liabilities	24,548	-	-	-	-	-
- Subordinated bonds	500,000	-	-	-	-	-
	1,991,998	-	3,951	23,637	27,812	40,985

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	
	2017 RM'000	2016 RM'000
Short-term employee benefits	23,604	22,657
Post employment benefits: Defined contribution plan	2,999	3,209
Share-based payment*	5,957	5,723
	32,560	31,589

* 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 2017, the number of options held by key management personnel under these two plans were 276,135 (2016: 231,455) and nil (2016: 20,900), respectively.

34. Commitments and Contingencies

	Group and Bank		
2017	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
Direct credit substitutes	3,202,391	3,155,460	2,260,927
Transaction-related contingent items	6,037,933	3,034,380	2,139,796
Short-term self-liquidating trade-related contingencies	524,618	115,387	93,389
Foreign exchange related contracts			
- not more than one year	24,198,577	635,018	159,262
- more than one year to less than five years	204,645	11,512	11,065
Interest rate related contracts			
- not more than one year	7,689,651	152,398	63,654
- more than one year to less than five years	15,526,922	746,707	542,178
- five years and above	58,084	4,447	2,815
Equity related contracts			
- not more than one year	464,921	22,890	18,337
- more than one year to less than five years	1,093,643	43,746	7,730
Commodity related contracts			
- not more than one year	215,980	23,231	9,396
- more than one year to less than five years	537,233	55,063	23,314
Undrawn credit facility			
- not more than one year	14,085,535	681,934	141,414
- more than one year	11,697,356	6,597,870	4,202,984
- unconditionally cancellable	11,572,661	5,944,262	670,702
Total	97,110,150	21,224,305	10,346,963

34. Commitments and Contingencies (Continued)

	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2016			
Direct credit substitutes	2,963,581	2,963,581	2,350,193
Transaction-related contingent items	5,751,113	2,907,914	2,029,319
Short-term self-liquidating trade-related contingencies	476,394	107,718	69,745
Foreign exchange related contracts			
- not more than one year	16,559,657	627,679	262,095
- more than one year to less than five years	319,406	31,832	30,636
Interest rate related contracts			
- not more than one year	8,070,548	136,859	55,150
- more than one year to less than five years	14,451,820	649,760	368,703
- five years and above	1,475,311	78,508	55,388
Equity related contracts			
- not more than one year	383,707	16,572	9,803
- more than one year to less than five years	483,193	19,514	4,517
Commodity related contracts			
- not more than one year	376,522	50,456	25,529
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility			
- not more than one year	13,374,793	809,243	210,181
- more than one year	12,384,483	6,857,557	4,195,239
- unconditionally cancellable	11,139,281	5,384,369	632,007
Total	88,409,809	20,665,562	10,310,505

Disclosure of the principal amount (exclude intercompany deals) and credit equivalent of the commitments and contingencies are as per BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

35. Capital Commitments

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure for property, plant and equipment				
- authorised and contracted for	449,939	18,622	12,662	16,143

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Future minimum rental payments				
- Not later than one year	12,987	11,637	32,101	30,751
- Later than one year and not later than five years	12,701	7,250	12,701	26,364
	25,688	18,887	44,802	57,115

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 and review policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals endorsed by these committees are subject to approval by the Executive Committee (EXCO) and/or Board of Directors. The Risk Management Division assumes the independent oversight of risks undertaken by the Bank, and takes the lead in the formulation and approval of risk policies, controls and processes. The Product Control Department of Risk Management Division enforces Global 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 are exposed to and how they are being managed are set out below:

(a) Credit Risk

Credit risk is the risk of loss arising from any failure by a customer or counterparty to meet its financial obligations when such obligations fall due.

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	2017 RM'000	2016 RM'000
Cash and short-term funds	8,438,916	11,805,740
Securities purchased under resale agreements	1,079,420	644,041
Deposits and placements with financial institutions	150,000	589,100
Financial assets at FVTPL	229,455	228,055
AFS securities	11,009,527	6,871,580
Loans, advances and financing	77,561,301	76,450,132
Derivative financial assets	592,160	768,981
Other assets	187,357	118,875
Statutory deposits with BNM	1,802,204	2,098,668
	101,050,340	99,575,172
Other assets not subject to credit risk	880,183	943,671
	101,930,523	100,518,843
Commitments and contigencies	97,110,150	88,409,809

Bank	2017 RM'000	2016 RM'000
Cash and short-term funds	8,438,916	11,805,740
Securities purchased under resale agreements	1,079,420	644,041
Deposits and placements with financial institutions	150,000	589,100
Financial assets at FVTPL	229,455	228,055
AFS securities	11,009,527	6,871,580
Loans, advances and financing	77,675,030	76,630,127
Derivative financial assets	592,160	768,981
Other assets	187,357	118,875
Statutory deposits with BNM	1,802,204	2,098,668
	101,164,069	99,755,167
Other assets not subject to credit risk	685,854	660,509
	101,849,923	100,415,676
Commitments and contigencies	97,110,150	88,409,809

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 customer'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:

Group	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	AFS securities RM'000	Loans, advances and financing 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
2017								
Agriculture, hunting, forestry and fishing	-	-	-	1,251,997	(35,474)	-	1,216,523	1,290,367
Mining and quarrying	-	-	-	1,176,581	(2,814)	-	1,173,767	566,721
Manufacturing	-	-	-	6,331,060	(237,646)	-	6,093,414	7,976,499
Electricity, gas and water	-	-	-	131,078	(5,354)	-	125,724	304,053
Construction	-	-	50,400	6,909,577	(260,535)	-	6,699,442	16,139,944
Wholesale, retail trade, restaurants and hotels	-	-	-	9,970,141	(258,618)	-	9,711,523	10,242,342
Transport, storage and communication	-	-	-	1,217,056	(69,847)	-	1,147,209	872,835
Finance, insurance and business services	9,668,336	229,455	10,949,181	3,099,679	(184,892)	2,581,721	26,343,480	43,398,683
Real estate	-	-	49,906	4,275,124	(135,086)	-	4,189,944	1,108,480
Community, social and personal services	-	-	-	154,374	(3,002)	-	151,372	48,895
Households								
- purchase of residential properties	-	-	-	30,114,804	(197,106)	-	29,917,698	-
- purchase of non-residential properties	-	-	-	9,065,647	(50,197)	-	9,015,450	-
- others	-	-	-	5,402,275	(137,481)	-	5,264,794	5,468,465
Others	-	-	-	-	-	-	-	9,692,866
Other assets not subject to credit risk	-	-	-	-	-	880,183	880,183	-
	9,668,336	229,455	11,049,487	79,099,393	(1,578,052)	3,461,904	101,930,523	97,110,150

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 (Continued):

Group	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	AFS securities RM'000	Loans, advances and financing 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
2016								
Agriculture, hunting, forestry and fishing	-	-	-	1,235,844	(15,854)	-	1,219,990	1,310,370
Mining and quarrying	-	-	-	1,942,858	(3,815)	-	1,939,043	517,101
Manufacturing	-	-	-	5,626,009	(256,737)	-	5,369,272	8,141,785
Electricity, gas and water	-	-	-	92,441	(3,582)	-	88,859	114,802
Construction	-	-	50,781	7,250,289	(218,433)	-	7,082,637	15,155,359
Wholesale, retail trade, restaurants and hotels	-	-	-	9,454,824	(222,681)	-	9,232,143	9,337,779
Transport, storage and communication	-	-	38,640	1,252,791	(45,144)	-	1,246,287	1,036,123
Finance, insurance and business services	13,038,881	228,055	6,821,765	3,279,876	(162,797)	2,986,524	26,192,304	35,494,657
Real estate	-	-	354	5,071,053	(144,916)	-	4,926,491	1,542,670
Community, social and personal services	-	-	-	150,689	(2,472)	-	148,217	34,591
Households								
- purchase of residential properties	-	-	-	28,258,859	(148,694)	-	28,110,165	-
- purchase of non-residential properties	-	-	-	8,988,061	(52,138)	-	8,935,923	-
- others	-	-	-	5,203,675	(119,834)	-	5,083,841	12,915,945
Others	-	-	-	-	-	-	-	2,808,627
Other assets not subject to credit risk	-	-	-	-	-	943,671	943,671	-
	13,038,881	228,055	6,911,540	77,807,269	(1,397,097)	3,930,195	100,518,843	88,409,809

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

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

Bank	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	AFS securities RM'000	Loans, advances and financing 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
2017								
Agriculture, hunting, forestry and fishing	-	-	-	1,251,997	(35,474)	-	1,216,523	1,290,367
Mining and quarrying	-	-	-	1,176,581	(2,814)	-	1,173,767	566,721
Manufacturing	-	-	-	6,331,060	(237,646)	-	6,093,414	7,976,499
Electricity, gas and water	-	-	-	131,078	(5,354)	-	125,724	304,053
Construction	-	-	50,400	6,909,577	(260,535)	-	6,699,442	16,139,944
Wholesale, retail trade, restaurants and hotels	-	-	-	9,970,141	(258,618)	-	9,711,523	10,242,342
Transport, storage and communication	-	-	-	1,217,056	(69,847)	-	1,147,209	872,835
Finance, insurance and business services	9,668,336	229,455	10,949,181	3,099,679	(184,892)	2,581,721	26,343,480	43,398,683
Real estate	-	-	49,906	4,389,761	(135,994)	-	4,303,673	1,108,480
Community, social and personal services	-	-	-	154,374	(3,002)	-	151,372	48,895
Households								
- purchase of residential properties	-	-	-	30,114,804	(197,106)	-	29,917,698	-
- purchase of non-residential properties	-	-	-	9,065,647	(50,197)	-	9,015,450	-
- others	-	-	-	5,402,275	(137,481)	-	5,264,794	5,468,465
Others	-	-	-	-	-	-	-	9,692,866
Other assets not subject to credit risk	-	-	-	-	-	685,854	685,854	-
	9,668,336	229,455	11,049,487	79,214,030	(1,578,960)	3,267,575	101,849,923	97,110,150

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

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

Bank	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	AFS securities RM'000	Loans, advances and financing 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
2016								
Agriculture, hunting, forestry and fishing	-	-	-	1,235,844	(15,854)	-	1,219,990	1,310,370
Mining and quarrying	-	-	-	1,942,858	(3,815)	-	1,939,043	517,101
Manufacturing	-	-	-	5,626,009	(256,737)	-	5,369,272	8,141,785
Electricity, gas and water	-	-	-	92,441	(3,582)	-	88,859	114,802
Construction	-	-	50,781	7,250,289	(218,433)	-	7,082,637	15,155,359
Wholesale, retail trade, restaurants and hotels	-	-	-	9,454,824	(222,681)	-	9,232,143	9,337,779
Transport, storage and communication	-	-	38,640	1,252,791	(45,144)	-	1,246,287	1,036,123
Finance, insurance and business services	13,038,881	228,055	6,821,765	3,279,876	(162,797)	2,986,524	26,192,304	35,494,657
Real estate	-	-	354	5,252,629	(146,497)	-	5,106,486	1,542,670
Community, social and personal services	-	-	-	150,689	(2,472)	-	148,217	34,591
Households								
- purchase of residential properties	-	-	-	28,258,859	(148,694)	-	28,110,165	-
- purchase of non-residential properties	-	-	-	8,988,061	(52,138)	-	8,935,923	-
- others	-	-	-	5,203,675	(119,834)	-	5,083,841	12,915,945
Others	-	-	-	-	-	-	-	2,808,627
Other assets not subject to credit risk	-	-	-	-	-	660,509	660,509	-
	13,038,881	228,055	6,911,540	77,988,845	(1,398,678)	3,647,033	100,415,676	88,409,809

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(iii) Credit quality of gross loans, advances and financing and debt securities

Gross loans, advances and financing as graded in accordance with BNM Guidelines are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Pass	76,961,559	75,896,233	77,076,196	76,077,809
Special mention	787,415	684,689	787,415	684,689
Substandard	1,016,050	1,008,390	1,016,050	1,008,390
Doubtful	98,719	79,632	98,719	79,632
Loss	235,650	138,325	235,650	138,325
	79,099,393	77,807,269	79,214,030	77,988,845

Gross impaired debt securities of the Group and the Bank as at 31 December 2017 were RM66,260,000 (2016: RM66,260,000) and allowance for impairment of RM39,960,000 (2016: RM39,960,000) was made for these securities.

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

	2017		2016	
Group and Bank	Past due but not impaired RM'000	Impaired RM'000	Past due but not impaired RM'000	Impaired RM'000
Current	-	64,251	-	78,202
Within 90 days	3,214,363	136,817	3,156,768	103,826
Over 90 to 180 days	-	208,739	-	122,351
Over 180 days	-	940,612	-	921,968
	3,214,363	1,350,419	3,156,768	1,226,347

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

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

Group and Bank	2017 Past due but not impaired RM'000	2017 Impaired RM'000	2017 Individual impairment RM'000	2016 Past due but not impaired RM'000	2016 Impaired RM'000	2016 Individual impairment RM'000
Agriculture, hunting, forestry and fishing	1,784	11,161	-	4,305	14,255	448
Mining and quarrying	2,013	-	-	2,579	-	-
Manufacturing	341,447	140,079	58,480	214,907	134,662	58,437
Electricity, gas and water	1,983	-	-	18,481	-	-
Construction	484,167	138,526	29,415	813,722	162,417	44,670
Wholesale, retail trade, restaurants and hotels	469,093	133,802	26,529	274,376	126,630	30,356
Transport, storage and communication	7,866	142,836	37,439	7,802	99,836	558
Finance, insurance and business services	35,406	127,092	106,999	33,479	138,881	50,066
Real estate	226,457	121,485	1,984	250,293	47,759	1,859
Community, social and personal services	2,721	737	13	2,990	953	65
Households						
- purchase of residential properties	1,084,720	381,318	27,549	1,100,148	359,551	25,124
- purchase of non-residential properties	376,784	60,201	4,643	256,317	46,064	4,537
- others	179,922	93,182	17,092	177,369	95,339	17,550
	3,214,363	1,350,419	310,143	3,156,768	1,226,347	233,670

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 control, monitor and report concentration risk to particular types of collateral.

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, advances and financing

All impaired loans, advances and financing 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
2017			
Impaired loans, advances and financing	1,014,910	1,350,419	335,509
2016			
Impaired loans, advances and financing	908,071	1,226,347	318,276

For loans, advances and financing, individual assessment allowance as at the date of the statements of financial position would have been higher by approximately RM1,014,910,000 (2016: RM908,071,000) without the collaterals held.

(vii) Repossessed collaterals

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

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

For the financial years ended 31 December 2017 and 2016, there were no repossessed collaterals.

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(viii) Credit exposure analysed by geography

Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2017			
Cash and short-term funds	7,970,457	468,459	8,438,916
Securities purchased under resale agreements	1,079,420	-	1,079,420
Deposits and placements with financial institutions	150,000	-	150,000
Financial assets at FVTPL	229,455	-	229,455
AFS securities	11,009,527	-	11,009,527
Loans, advances and financing	70,280,536	7,280,765	77,561,301
Derivative financial assets	511,835	80,325	592,160
Other assets	176,819	10,538	187,357
Statutory deposits with BNM	1,802,204	-	1,802,204
	93,210,253	7,840,087	101,050,340
Commitments and contingencies	86,590,471	10,519,679	97,110,150
2016			
Cash and short-term funds	10,992,791	812,949	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	228,055	-	228,055
AFS securities	6,871,580	-	6,871,580
Loans, advances and financing	68,410,213	8,039,919	76,450,132
Derivative financial assets	720,445	48,536	768,981
Other assets	108,629	10,246	118,875
Statutory deposits with BNM	2,098,668	-	2,098,668
	90,663,522	8,911,650	99,575,172
Commitments and contingencies	80,953,652	7,456,157	88,409,809

37. Financial Risk Management (Continued)

(a) Credit Risk (Continued)

(viii) Credit exposure analysed by geography (Continued)

Bank	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2017			
Cash and short-term funds	7,970,457	468,459	8,438,916
Securities purchased under resale agreements	1,079,420	-	1,079,420
Deposits and placements with financial institutions	150,000	-	150,000
Financial assets at FVTPL	229,455	-	229,455
AFS securities	11,009,527	-	11,009,527
Loans, advances and financing	70,394,265	7,280,765	77,675,030
Derivative financial assets	511,835	80,325	592,160
Other assets	176,819	10,538	187,357
Statutory deposits with BNM	1,802,204	-	1,802,204
	93,323,982	7,840,087	101,164,069
Commitments and contingencies	86,590,471	10,519,679	97,110,150
2016			
Cash and short-term funds	10,992,791	812,949	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	228,055	-	228,055
AFS securities	6,871,580	-	6,871,580
Loans, advances and financing	68,590,208	8,039,919	76,630,127
Derivative financial assets	720,445	48,536	768,981
Other assets	108,629	10,246	118,875
Statutory deposits with BNM	2,098,668	-	2,098,668
	90,843,517	8,911,650	99,755,167
Commitments and contingencies	80,953,652	7,456,157	88,409,809

37. Financial Risk Management (Continued)

(b) Market Risk

(i) Foreign exchange risk

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Group's and the Bank's foreign exchange exposures arise mainly from their 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 their foreign exchange exposures.

Foreign exchange risk is managed through policies which are approved by Board while the market risk limits approved by the EXCO. The limits are independently monitored by Product Control Department of Risk Management Division.

The Bank has performed foreign currency sensitivity analysis by using Value-at-Risk (VaR) as demonstrated in Note 37(b)(iii).

(ii) Interest/Profit rate risk

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

Banking book interest rate/rate of return exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall banking book interest/rate of return risk management process which is conducted in accordance with the Bank's policies as approved by the Board of Directors.

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest/profit rate shocks were negative RM20 million and RM32 million (2016: negative RM40 million and RM73 million), respectively. This is computed on the banking book for major currencies (Ringgit Malaysia and US Dollar). The reported figures are based on the worst case of an upward and downward parallel movement of the yield curve. The repricing profile of loans/financing and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers.

(iii) VaR

The Bank adopts a daily 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
2017				
Interest/profit rate	2,447	16,774	1,430	6,197
Foreign exchange	4,052	9,935	151	4,797
Commodities	410	1,971	25	573
Total diversified VaR	4,198	16,848	1,254	7,745
2016				
Interest/profit rate	1,441	5,578	1,036	2,894
Foreign exchange	1,255	11,483	121	2,225
Commodities	379	563	11	224
Total diversified VaR	2,034	13,186	980	3,388

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, advances and financing.

The Group and the Bank manage liquidity risk in accordance with the liquidity framework approved by the Asset and Liability Committee (ALCO) which is also adequate to meet the requirements under Bank Negara Malaysia'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 regulator 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 contractual undiscounted cash flows of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Bank has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but has historically provided a stable source of long-term funding for the Bank.

Group 2017	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	8,455,622	-	-	-	-	8,455,622
Securities purchased under resale agreements	1,089,133	-	-	-	-	1,089,133
Deposits and placements with financial institutions	151,293	-	-	-	-	151,293
Financial assets at FVTPL	231,139	-	-	-	-	231,139
AFS securities	4,276,943	124,311	568,042	6,053,524	706,001	11,728,821
Loans, advances and financing	19,861,212	3,622,093	4,178,059	24,992,403	57,787,486	110,441,253
Derivative financial assets	267,130	174,778	64,938	3,085	82,229	592,160
Other assets	204,212	-	-	-	-	204,212
Statutory deposits with BNM	-	-	-	-	1,802,204	1,802,204
	34,536,684	3,921,182	4,811,039	31,049,012	60,377,920	134,695,837
Liabilities						
Deposits from customers	52,203,795	12,289,500	20,375,796	61,886	-	84,930,977
Deposits and placements of banks and other financial institutions	3,280,773	9,117	18,234	145,873	957,508	4,411,505
Bills and acceptances payable	232,173	-	-	-	-	232,173
Derivative financial liabilities	314,520	131,152	82,690	20,237	52,667	601,266
Other liabilities	318,598	68,981	54,903	571,256	-	1,013,738
Subordinated bonds	11,375	23,059	534,816	1,069,642	-	1,638,892
	56,361,234	12,521,809	21,066,439	1,868,894	1,010,175	92,828,551
Net maturity mismatches	(21,824,550)	(8,600,627)	(16,255,400)	29,180,118	59,367,745	
Off-balance sheet liabilities						
Credit and commitments	27,534,573	3,976,551	6,963,295	29,596,658	6,195,860	74,266,937
Derivatives	50,071	4,490	57,412	22,598	261	134,832
Net maturity mismatches	27,584,644	3,981,041	7,020,707	29,619,256	6,196,121	74,401,769

38. Liquidity Risk (Continued)

Group 2016	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	11,826,146	-	-	-	-	11,826,146
Securities purchased under resale agreements	649,306	-	-	-	-	649,306
Deposits and placements with financial institutions	592,214	-	-	-	-	592,214
Financial assets at FVTPL	149,482	19,537	1,478	62,909	-	233,406
AFS securities	1,700,252	138,876	214,913	5,105,413	445,084	7,604,538
Loans, advances and financing	19,551,156	3,572,063	4,300,726	24,360,966	57,977,083	109,761,994
Derivative financial assets	262,405	101,206	184,504	220,866	-	768,981
Other assets	247,654	-	-	-	-	247,654
Statutory deposits with BNM	-	-	-	-	2,098,668	2,098,668
	34,978,615	3,831,682	4,701,621	29,750,154	60,520,835	133,782,907
Liabilities						
Deposits from customers	53,152,543	12,197,557	18,277,680	107,456	-	83,735,236
Deposits and placements of banks and other financial institutions	3,487,267	32,393	24,315	194,517	1,138,336	4,876,828
Bills and acceptances payable	227,516	-	-	-	-	227,516
Derivative financial liabilities	228,376	69,998	209,280	222,166	1,244	731,064
Other liabilities	405,523	38,789	116,886	263,981	-	825,179
Subordinated bonds	11,375	23,040	34,816	755,250	1,116,059	1,940,540
	57,512,600	12,361,777	18,662,977	1,543,370	2,255,639	92,336,363
Net maturity mismatches	(22,533,985)	(8,530,095)	(13,961,356)	28,206,784	58,265,196	
Off-balance sheet liabilities						
Credit and commitments	20,443,431	3,733,542	5,930,722	27,311,265	6,993,169	64,412,129
Derivatives	9,753	(47,642)	(27,432)	25	-	(65,296)
Net maturity mismatches	20,453,184	3,685,900	5,903,290	27,311,290	6,993,169	64,346,833

Bank 2017	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	8,455,622	-	-	-	-	8,455,622
Securities purchased under resale agreements	1,089,133	-	-	-	-	1,089,133
Deposits and placements with financial institutions	151,293	-	-	-	-	151,293
Financial assets at FVTPL	231,139	-	-	-	-	231,139
AFS securities	4,276,943	124,311	568,042	6,053,524	706,001	11,728,821
Loans, advances and financing	19,974,941	3,622,093	4,178,059	24,992,403	57,787,486	110,554,982
Derivative financial assets	267,130	174,778	64,938	3,085	82,229	592,160
Other assets	204,212	-	-	-	-	204,212
Statutory deposits with BNM	-	-	-	-	1,802,204	1,802,204
	34,650,413	3,921,182	4,811,039	31,049,012	60,377,920	134,809,566

38. Liquidity Risk (Continued)

Bank (Continued) 2017	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	52,219,669	12,289,500	20,375,796	61,886	-	84,946,851
Deposits and placements of banks and other financial institutions	3,280,803	9,117	18,234	145,873	957,508	4,411,535
Bills and acceptances payable	232,173	-	-	-	-	232,173
Derivative financial liabilities	314,520	131,152	82,690	20,237	52,667	601,266
Other liabilities	318,598	68,981	54,903	571,256	-	1,013,738
Subordinated bonds	11,375	23,059	534,816	1,069,642	-	1,638,892
	56,377,138	12,521,809	21,066,439	1,868,894	1,010,175	92,844,455
Net maturity mismatches	(21,726,725)	(8,600,627)	(16,255,400)	29,180,118	59,367,745	
Off-balance sheet liabilities						
Credit and commitments	27,534,573	3,976,551	6,963,295	29,165,213	6,195,860	73,835,492
Derivatives	50,071	4,490	57,412	22,598	261	134,832
Net maturity mismatches	27,584,644	3,981,041	7,020,707	29,187,811	6,196,121	73,970,324

Bank 2016	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	11,826,146	-	-	-	-	11,826,146
Securities purchased under resale agreements	649,306	-	-	-	-	649,306
Deposits and placements with financial institutions	592,214	-	-	-	-	592,214
Financial assets at FVTPL	149,482	19,537	1,478	62,909	-	233,406
AFS securities	1,700,252	138,876	214,913	5,105,413	445,084	7,604,538
Loans, advances and financing	19,731,151	3,572,063	4,300,726	24,360,966	57,977,083	109,941,989
Derivative financial assets	262,405	101,206	184,504	220,866	-	768,981
Other assets	247,654	-	-	-	-	247,654
Statutory deposits with BNM	-	-	-	-	2,098,668	2,098,668
	35,158,610	3,831,682	4,701,621	29,750,154	60,520,835	133,962,902
Liabilities						
Deposits from customers	53,156,464	12,197,557	18,277,680	107,456	-	83,739,157
Deposits and placements of banks and other financial institutions	3,487,297	32,393	24,315	194,517	1,138,336	4,876,858
Bills and acceptances payable	227,516	-	-	-	-	227,516
Derivative financial liabilities	228,376	69,998	209,280	222,166	1,244	731,064
Other liabilities	405,523	38,789	116,886	263,981	-	825,179
Subordinated bonds	11,375	23,040	34,816	755,250	1,116,059	1,940,540
	57,516,551	12,361,777	18,662,977	1,543,370	2,255,639	92,340,314
Net maturity mismatches	(22,357,941)	(8,530,095)	(13,961,356)	28,206,784	58,265,196	
Off-balance sheet liabilities						
Credit and commitments	20,443,431	3,733,542	5,930,722	27,311,265	6,993,169	64,412,129
Derivatives	9,753	(47,642)	(27,432)	25	-	(65,296)
Net maturity mismatches	20,453,184	3,685,900	5,903,290	27,311,290	6,993,169	64,346,833

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 positions for the financial years ended 31 December 2017 and 2016. 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 2017	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	8,438,916	-	8,438,916
Securities purchased under resale agreements	1,079,420	-	1,079,420
Deposits and placements with financial institutions	150,000	-	150,000
Financial assets at FVTPL	229,455	-	229,455
AFS securities	4,663,246	6,346,281	11,009,527
Loans, advances and financing	24,293,341	53,267,960	77,561,301
Derivative financial assets	506,846	85,314	592,160
Other assets	399,188	8,881	408,069
Statutory deposits with BNM	-	1,802,204	1,802,204
Investment in an associate	-	9,854	9,854
Property, plant and equipment	-	561,281	561,281
Deferred tax assets	-	88,336	88,336
Total assets	39,760,412	62,170,111	101,930,523
Liabilities			
Deposits from customers	83,330,794	57,991	83,388,785
Deposits and placements of banks and other financial institutions	3,298,309	1,103,381	4,401,690
Bills and acceptances payable	232,173	-	232,173
Derivative financial liabilities	528,362	72,904	601,266
Other liabilities	2,191,476	170,663	2,362,139
Tax payable	126,506	-	126,506
Subordinated bonds	-	1,502,702	1,502,702
Deferred tax liabilities	-	13,758	13,758
Total liabilities	89,707,620	2,921,399	92,629,019
Net mismatch	(49,947,208)	59,248,712	9,301,504

39. Maturity Analysis of Assets and Liabilities (Continued)

Group 2016	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	11,805,740	-	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	168,529	59,526	228,055
AFS securities	1,884,967	4,986,613	6,871,580
Loans, advances and financing	24,157,563	52,292,569	76,450,132
Derivative financial assets	548,115	220,866	768,981
Other assets	470,291	4,075	474,366
Statutory deposits with BNM	-	2,098,668	2,098,668
Investment in an associate	-	11,554	11,554
Property, plant and equipment	-	530,574	530,574
Deferred tax assets	-	46,052	46,052
Total assets	40,268,346	60,250,497	100,518,843
Liabilities			
Deposits from customers	81,928,830	255,846	82,184,676
Deposits and placements of banks and other financial institutions	3,539,850	1,332,853	4,872,703
Bills and acceptances payable	227,516	-	227,516
Derivative financial liabilities	507,654	223,410	731,064
Other liabilities	2,100,371	314,286	2,414,657
Tax payable	70,905	-	70,905
Subordinated bonds	-	1,503,784	1,503,784
Deferred tax liabilities	-	14,554	14,554
Total liabilities	88,375,126	3,644,733	92,019,859
Net mismatch	(48,106,780)	56,605,764	8,498,984

Bank 2017	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	8,438,916	-	8,438,916
Securities purchased under resale agreements	1,079,420	-	1,079,420
Deposits and placements with financial institutions	150,000	-	150,000
Financial assets at FVTPL	229,455	-	229,455
AFS securities	4,663,246	6,346,281	11,009,527
Loans, advances and financing	24,293,341	53,381,689	77,675,030
Derivative financial assets	506,846	85,314	592,160
Other assets	402,675	8,881	411,556
Statutory deposits with BNM	-	1,802,204	1,802,204
Investment in subsidiaries	-	120,040	120,040
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	239,757	239,757
Deferred tax assets	-	88,336	88,336
Total assets	39,763,899	62,086,024	101,849,923

39. Maturity Analysis of Assets and Liabilities (Continued)

Bank (Continued) 2017	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Liabilities			
Deposits from customers	83,346,668	57,991	83,404,659
Deposits and placements of banks and other financial institutions	3,298,339	1,103,381	4,401,720
Bills and acceptances payable	232,173	-	232,173
Derivative financial liabilities	528,362	72,904	601,266
Other liabilities	2,189,591	170,663	2,360,254
Tax payable	125,433	-	125,433
Subordinated bonds	-	1,502,702	1,502,702
Total liabilities	89,720,566	2,907,641	92,628,207
Net mismatch	(49,956,667)	59,178,383	9,221,716

Bank 2016	Within 12 months RM'000	After 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	11,805,740	-	11,805,740
Securities purchased under resale agreements	644,041	-	644,041
Deposits and placements with financial institutions	589,100	-	589,100
Financial assets at FVTPL	168,529	59,526	228,055
AFS securities	1,884,967	4,986,613	6,871,580
Loans, advances and financing	24,339,139	52,290,988	76,630,127
Derivative financial assets	548,115	220,866	768,981
Other assets	479,426	8,616	488,042
Statutory deposits with BNM	-	2,098,668	2,098,668
Investment in subsidiaries	-	40	40
Investment in an associate	-	13,522	13,522
Property, plant and equipment	-	231,728	231,728
Deferred tax assets	-	46,052	46,052
Total assets	40,459,057	59,956,619	100,415,676
Liabilities			
Deposits from customers	81,932,752	255,845	82,188,597
Deposits and placements of banks and other financial institutions	3,539,880	1,332,853	4,872,733
Bills and acceptances payable	227,516	-	227,516
Derivative financial liabilities	507,654	223,410	731,064
Other liabilities	2,098,043	314,288	2,412,331
Tax payable	69,850	-	69,850
Subordinated bonds	-	1,503,784	1,503,784
Total liabilities	88,375,695	3,630,180	92,005,875
Net mismatch	(47,916,638)	56,326,439	8,409,801

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
2017					
Financial assets					
Derivative financial assets	592,160	-	592,160	(129,669)	462,491
Financial liabilities					
Derivative financial liabilities	601,266	-	601,266	(62,264)	539,002
2016					
Financial assets					
Derivative financial assets	768,981	-	768,981	(154,922)	614,059
Financial liabilities					
Derivative financial liabilities	731,064	-	731,064	(165,833)	565,231

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

Retail

The Retail segment covers Personal Financial Services, Business and Private Banking. Personal Financial Services serves the individual customers, offers a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Banking caters to high net worth individuals and accredited investors, offering a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides financial advisory on an extended range of financial services, including wealth management products. Business Banking serves small enterprises, offers a range of products and services, including deposits, loans, trade, foreign exchange and insurance products.

Wholesale Banking (WB)

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

Global Markets (GM)

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

Others

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

41. Segment Information (Continued)

Operating Segments (Continued)

Group 2017	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Operating income	1,454,462	1,103,046	162,924	265,984	2,986,416	(28,434)	2,957,982
Other operating expenses	(751,507)	(220,908)	(54,177)	(138,157)	(1,164,749)	24,418	(1,140,331)
Allowance for impairment on loans, advances and financing	(137,505)	(153,912)	42	(18)	(291,393)	(673)	(292,066)
Impairment loss on property, plant and equipment	-	-	-	(4,791)	(4,791)	-	(4,791)
Write-back of commitments and contingencies	-	3,343	-	-	3,343	-	3,343
Share of net profit of an associate	-	-	-	221	221	-	221
Profit before taxation	565,450	731,569	108,789	123,239	1,529,047	(4,689)	1,524,358
Income tax expense							(379,976)
							1,144,382
Other information							
Gross loans, advances and financing	50,968,770	27,913,741	-	331,519	79,214,030	(114,637)	79,099,393
Deposits from customers	55,295,680	28,087,061	1,776	20,142	83,404,659	(15,874)	83,388,785
Inter-segment operating income/(expense)	171,698	246,853	(709,422)	319,316	28,445	(28,445)	-
Depreciation of property, plant and equipment	8,270	2,678	2,036	43,463	56,447	83	56,530

41. Segment Information (Continued)

Operating Segments (Continued)

Group 2016	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Operating income	1,336,416	1,077,943	180,775	223,683	2,818,817	(27,398)	2,791,419
Other operating expenses	(706,742)	(212,013)	(50,227)	(129,111)	(1,098,093)	24,196	(1,073,897)
Allowance for impairment on loans, advances and financing	(47,574)	(203,785)	58	(13)	(251,314)	1,581	(249,733)
Write-back of commitments and contingencies	-	4,224	-	-	4,224	-	4,224
Share of net profit of an associate	-	-	-	241	241	-	241
Profit before taxation	582,100	666,369	130,606	94,800	1,473,875	(1,621)	1,472,254
Income tax expense							(371,484)
							1,100,770
Other information							
Gross loans, advances and financing	48,707,972	28,874,754	-	406,119	77,988,845	(181,576)	77,807,269
Deposits from customers	53,125,708	29,042,626	3,301	16,962	82,188,597	(3,921)	82,184,676
Inter-segment operating income/(expense)	95,604	282,968	(618,198)	267,024	27,398	(27,398)	-
Depreciation of property, plant and equipment	8,521	1,511	2,235	41,396	53,663	83	53,746

41. Segment Information (Continued)

Operating Segments (Continued)

	Group	
	2017 RM'000	2016 RM'000
Reconciliation of profit before taxation		
Segment profit	**1,529,047**	**1,473,875**
Eliminations		
Interest income		
- Interest income from loans, advances and financing	(7,963)	(9,809)
Interest expense		
- Deposits from customers	5,898	6,854
Fee income		
- Service charges and fees	(920)	(904)
- Commitment fee	(22)	(9)
Dividend income	(1,921)	-
Other income		
- Rental income from operating leases	(23,517)	(23,375)
- Loss/(gain) on dissolution of subsidiaries	11	(155)
	(28,434)	(27,398)
Allowance for impairment on loans, advances and financing		
- Collective impairment	(673)	1,581
Personnel expenses		
- Other employee benefits	-	4
Establishment related expenses		
- Depreciation of property, plant and equipment	(83)	(83)
- Rental of premises	19,063	18,979
- Others	5,369	5,291
Promotion and marketing related expenses		
- Advertising and publicity	6	5
General administrative expenses		
- Others	63	-
	24,418	24,196
Profit before taxation	1,524,358	1,472,254

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. Total risk-weighted assets (RWA) are computed based on the Internal Rating Based (IRB) Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk.

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	470,000	792,555	470,000
Share premium	-	322,555	-	322,555
Retained profits	8,261,176	7,032,664	8,335,026	7,097,119
Statutory reserve	-	470,000	-	470,000
Other reserves	247,773	203,765	94,135	50,127
Regulatory adjustments applied in the calculation of CET1 Capital	(314,140)	(252,852)	(276,492)	(118,238)
Total CET1/Tier 1 Capital	8,987,364	8,246,132	8,945,224	8,291,563
Tier 2 Capital				
Tier 2 Capital instruments	1,500,000	1,500,000	1,500,000	1,500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	277,701	277,107	278,408	277,107
- Collective impairment provisions	29,883	26,357	20,470	22,621
Regulatory adjustments applied in the calculation of Tier 2 Capital	70,762	68,111	(26,712)	(5,425)
Total Tier 2 Capital	1,878,346	1,871,575	1,772,166	1,794,303
Total Capital	10,865,710	10,117,707	10,717,390	10,085,866

42. Capital Management and Capital Adequacy (Continued)

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

	Group		Bank	
	2017	2016	2017	2016
CET1/Tier 1 Capital	16.373%	15.205%	16.484%	15.371%
Total Capital	19.795%	18.656%	19.749%	18.698%
CET1/Tier 1 Capital (net of proposed dividends)	15.532%	14.494%	15.633%	14.656%
Total Capital (net of proposed dividends)	18.954%	17.945%	18.899%	17.982%

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 4 August 2017 and Basel II – Risk-Weighted Assets issued on 2 March 2017.

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total RWA for credit risk	48,674,131	48,293,056	48,038,923	47,994,189
Total RWA for market risk	986,262	967,178	986,262	967,178
Total RWA for operational risk	5,230,645	4,972,669	5,242,469	4,980,184
	54,891,038	54,232,903	54,267,654	53,941,551

43. Credit Exposure arising from Credit Transactions with Connected Parties

	Group and Bank	
	2017	2016
Outstanding credit exposures with connected parties (RM'000)	533,195	401,848
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.889%	0.515%
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 Transactions and Exposures with Connected Parties.

44. Islamic Banking Operations

Statement of financial position
As at 31 December 2017

	Note	2017 RM'000	2016 RM'000
Assets			
Cash and short-term funds	a	179,447	763,678
AFS securities	b	30,126	29,889
Financing, advances and others	c	842,096	104,635
Other assets	d	297	769
Statutory deposits with BNM		7,920	10
Plant and equipment		71	87
Deferred tax assets		145	175
Total assets		1,060,102	899,243
Liabilities and Islamic Banking funds			
Deposits from customers	e	600,379	447,100
Deposits and placements of banks and other financial institutions	f	4,711	220
Bills and acceptances payable		74	-
Other liabilities	g	5,449	2,675
Tax payable		88	7
Total liabilities		610,701	450,002
Capital fund	h	450,000	450,000
Reserves	h	(599)	(759)
Islamic Banking funds		449,401	449,241
Total liabilities and Islamic Banking funds		1,060,102	899,243
Commitments and contingencies	n	693,549	1,071

The notes on pages 169 to 181 are integral part of the financial statements.

44. Islamic Banking Operations (Continued)

Income statement
For the financial year ended 31 December 2017

	Note	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Income derived from depositors' funds	i	20,299	2,285
Income derived from investment of Islamic Banking funds	j	19,839	5,116
Allowance for impairment on financing, advances and others	k	(8,979)	(80)
Total attributable income		31,159	7,321
Income attributable to depositors	l	(16,460)	(2,476)
Total net income		14,699	4,845
Other operating expenses	m	(14,786)	(5,308)
Loss for the year before taxation		(87)	(463)
Income tax		(25)	57
Loss for the year after taxation		(112)	(406)
Other comprehensive income/(loss):			
Net gain/(loss) on revaluation of AFS securities		358	(464)
Income tax effect		(86)	111
Other comprehensive income/(loss) for the year, net of tax		272	(353)
Total comprehensive income/(loss) for the year		160	(759)

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

	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Income derived from depositors' funds	20,299	2,285
Income derived from investment of Islamic Banking funds	19,839	5,116
Income attributable to depositors	(16,460)	(2,476)
Net income from Islamic Banking Operations reported in the income statements of the Group and the Bank	23,678	4,925

44. Islamic Banking Operations (Continued)

Statement of changes in Islamic Banking funds
For the financial year ended 31 December 2017

	Capital fund RM'000	Net unrealised deficit on AFS securities RM'000	Accumulated losses RM'000	Total RM'000
2017				
Balance as at 1 January 2017	450,000	(353)	(406)	449,241
Loss for the year	-	-	(112)	(112)
Other comprehensive income	-	272	-	272
Total comprehensive loss	-	272	(112)	160
Balance as at 31 December 2017	450,000	(81)	(518)	449,401
2016				
Balance as at 14 July 2016	200,000	-	-	200,000
Loss for the period	-	-	(406)	(406)
Other comprehensive loss	-	(353)	-	(353)
Total comprehensive loss	-	(353)	(406)	(759)
Capital reallocation from conventional banking	250,000	-	-	250,000
Balance as at 31 December 2016	450,000	(353)	(406)	449,241

44. Islamic Banking Operations (Continued)

Statement of cash flows
For the financial year ended 31 December 2017

	Note	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Cash flows from operating activities			
Loss before taxation		(87)	(463)
Adjustments for:			
Profit income from AFS securities	j	(919)	(944)
Allowance for impairment on financing, advances and others	k	8,979	80
Depreciation of plant and equipment	m	17	4
Trading income	j	(775)	(40)
Operating income/(loss) before working capital changes		7,215	(1,363)
Increase in operating assets:			
Financing, advances and others		(746,440)	(104,715)
Statutory deposits with BNM		(7,910)	(10)
		(754,350)	(104,725)
Decrease in operating liabilities:			
Deposits from customers		153,279	447,100
Deposits and placements of banks and other financial institutions		4,491	220
Other liabilities		2,774	2,675
Bills and acceptances payable		74	-
		160,618	449,995
Net cash (used in)/generated from operating activities		(586,517)	343,907
Cash flows from investing activities			
Profit income from AFS securities		1,391	175
Net sale/(purchase) of AFS securities		895	(30,404)
Net cash generated from/(used in) investing activities		2,286	(30,229)
Net cash generated from financing activity		-	450,000
Net (decrease)/increase in cash and cash equivalents		(584,231)	763,678
Cash and cash equivalents at beginning of the year/period		763,678	-
Cash and cash equivalents at end of the year		179,447	763,678
Analysis of cash and cash equivalents			
Cash and short-term funds		179,447	763,678

44. Islamic Banking Operations (Continued)

(a) Cash and short-term funds

	2017 RM'000	2016 RM'000
Cash and balances with banks and other financial institutions	17,447	4,678
Money at call and deposit placements maturing within one month	162,000	759,000
	179,447	763,678

(b) AFS securities

	2017 RM'000	2016 RM'000
At fair value		
Money market instruments		
Government Islamic investment	30,126	29,889

(c) Financing, advances and others

(i) Financing by type of Shariah contract:

	2017 RM'000	2016 RM'000
Tawarruq		
Term financing and revolving credits		
- Housing financing	381,834	383
- Others term financing	453,810	104,332
Claim on customers under acceptance credits	15,508	-
Gross financing, advances and others	851,152	104,715
Allowance for losses on financing, advances and others		
- Individual impairment	(201)	-
- Collective impairment	(8,855)	(80)
Net financing, advances and others	842,096	104,635

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

	2017 RM'000	2016 RM'000
Maturing within one year	80,884	100,062
One year to three years	2,847	-
Three years to five years	98,974	-
Over five years	668,447	4,653
	851,152	104,715

44. Islamic Banking Operations (Continued)

(c) Financing, advances and others (Continued)

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

	2017 RM'000	2016 RM'000
Domestic business enterprises		
- Small medium enterprises	284,427	4,270
- Others	120,005	100,062
Individuals	417,427	383
Foreign entities	29,293	-
	851,152	104,715

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

	2017 RM'000	2016 RM'000
Fixed rate		
- Other fixed rate financing	15,508	-
Variable rate		
- Base rate/base financing rate-plus	674,884	4,653
- Cost-plus	160,760	100,062
	851,152	104,715

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

	2017 RM'000	2016 RM'000
Manufacturing	82,408	-
Construction	45,777	104,332
Wholesale, retail trade, restaurants and hotels	122,798	-
Transport, storage and communication	25,884	-
Finance, insurance and business services	61,589	-
Real estate	63,285	-
Community, social and personal services	2,691	-
Households		
- purchase of residential properties	386,280	383
- purchase of non-residential properties	31,923	-
- others	28,517	-
	851,152	104,715

44. Islamic Banking Operations (Continued)

(c) Financing, advances and others (Continued)

(vi) Movements in impaired financing, advances and others are as follows:

	2017 RM'000	2016 RM'000
Balance as at 1 January/14 July	-	-
Classified as impaired during the financial year/period	703	-
Balance as at 31 December	703	-
Individual impairment	(201)	-
Net impaired financing, advances and others	502	-
Ratio of net impaired financing, advances and others to gross financing, advances and others less individual impairment provision	0.1%	-

(vii) Movements in allowance for losses on financing, advances and others are as follows:

	2017 RM'000	2016 RM'000
Collective impairment		
Balance as at 1 January/14 July	80	-
Impairment loss made during the financial year/period	8,775	80
Balance as at 31 December	8,855	80
Individual impairment		
Balance as at 1 January/14 July	-	-
Impairment loss made during the financial year/period	204	-
Profit recognised on impaired during the financial year/period	(3)	-
Balance as at 31 December	201	-

(viii) Impaired financing, advances and others analysed by economic sectors are as follows:

	2017 RM'000	2016 RM'000
Households		
- purchase of residential properties	703	-

(ix) Impaired financing, advances and others analysed by geographical distribution are as follows:

	2017 RM'000	2016 RM'000
In Malaysia	703	-

(d) Other assets

	2017 RM'000	2016 RM'000
Profit receivable	297	769

44. Islamic Banking Operations (Continued)

(e) Deposits from customers

(i) By type of deposits:

	2017 RM'000	2016 RM'000
Non-Mudharabah fund		
Demand deposits		
- Qard	92,395	9,956
Savings deposits		
- Qard	7,911	1,970
Fixed deposits		
- Tawarruq	496,423	325,334
Other deposits		
- Tawarruq	3,650	109,840
	600,379	447,100

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

	2017 RM'000	2016 RM'000
Due within six months	409,129	215,700
Six months to one year	87,294	109,634
	496,423	325,334

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

	2017 RM'000	2016 RM'000
Business enterprises	453,782	292,980
Individuals	78,143	37,690
Others	68,454	116,430
	600,379	447,100

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

	2017 RM'000	2016 RM'000
Non-Mudharabah fund		
Other financial institutions	4,711	220

(g) Other liabilities

	2017 RM'000	2016 RM'000
Accrued profit payable	4,281	2,064
Accruals and provisions for operational expenses	1,168	611
	5,449	2,675

44. Islamic Banking Operations (Continued)

(h) Islamic Banking funds

	2017 RM'000	2016 RM'000
Capital fund	450,000	450,000
Net unrealised deficit on AFS securities	(81)	(353)
Accumulated losses	(518)	(406)
	449,401	449,241

(i) Income derived from depositors' funds

	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Finance income and hibah		
Financing, advances and others	10,825	72
Money at call and deposit placements with financial institutions	9,474	2,213
	20,299	2,285

(j) Income derived from investment of Islamic Banking funds

	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Finance income and hibah		
Financing, advances and others	5,453	1
Money at call and deposit placements with financial institutions	8,557	4,117
AFS securities	919	944
	14,929	5,062
Other operating income		
Trading income	775	40
Commission income	2,845	14
Fee income	1,284	-
Others	6	-
	19,839	5,116

(k) Allowance for impairment on financing, advances and others

	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Allowance for impaired on financing, advances and others		
(a) Individual impairment		
- made in the year/period	204	-

44. Islamic Banking Operations (Continued)

(k) Allowance for impairment on financing, advances and others (Continued)

	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Allowance for impaired on financing, advances and others (Continued)		
(b) Collective impairment		
- made in the financial year/period	8,775	80
	8,979	80

(l) Income attributable to depositors

	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Income attributable to depositors from non-Mudharabah fund	16,460	2,476

(m) Other operating expenses

	1 Jan 2017 to 31 Dec 2017 RM'000	14 Jul 2016 to 31 Dec 2016 RM'000
Personnel expenses	1,865	609
Establishment related expenses	224	44
Promotion and marketing related expenses	202	89
General administrative expenses	12,495	4,566
	14,786	5,308
Personnel expenses		
- Wages, salaries and bonus	1,385	498
- Defined contribution plan	254	83
- Other employee benefits	226	28
	1,865	609
Establishment related expenses		
- Depreciation of plant and equipment	17	4
- Repair and maintenance	6	19
- Rental of premises	12	6
- Others	189	15
	224	44
Promotion and marketing related expenses		
- Advertisement and publicity	202	89
General administrative expenses		
- Fees and commissions paid	289	244
- Management fee	12,085	4,079
- Others	121	243
	12,495	4,566

44. Islamic Banking Operations (Continued)

(n) Commitments and contingencies

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

2017	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	7,134	7,134	4,522
Transaction-related contingent items	11,096	5,548	6,343
Undrawn credit facility			
- less than one year	84,534	750	838
- more than one year	590,785	371,644	167,159
Total	693,549	385,076	178,862

2016	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Undrawn credit facility			
- more than one year	1,071	718	152
Total	1,071	718	152

(o) Liquidity risk

The following table shows the contractual undiscounted cash flows of the Islamic Banking Window's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns.

2017	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	179,583	-	-	-	-	179,583
AFS securities	-	-	-	32,983	-	32,983
Financing, advances and others	124,612	29,396	51,839	288,061	740,880	1,234,788
Statutory deposits with BNM	-	-	-	-	7,920	7,920
	304,195	29,396	51,839	321,044	748,800	1,455,274
Liabilities						
Deposits from customers	428,745	86,763	89,874	-	-	605,382
Deposits and placements of banks and other financial institutions	4,711	-	-	-	-	4,711
Bills and acceptances payable	74	-	-	-	-	74
	433,530	86,763	89,874	-	-	610,167
Net maturity mismatches	(129,335)	(57,367)	(38,035)	321,044	748,800	
Off-balance sheet liabilities						
Credit and commitments	-	1,000	10,464	129,488	552,596	693,549
Net maturity mismatches	-	1,000	10,464	129,488	552,596	693,549

44. Islamic Banking Operations (Continued)

(o) Liquidity risk (Continued)

2016	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	764,670	-	-	-	-	764,670
AFS securities	-	-	-	32,983	-	32,983
Financing, advances and others	121,000	-	-	-	15,163	136,163
Statutory deposits with BNM	-	-	-	-	10	10
	885,670	-	-	32,983	15,173	933,826
Liabilities						
Deposits from customers	328,839	11,364	113,890	-	-	454,093
Deposits and placements of banks and other financial institutions	220	-	-	-	-	220
	329,059	11,364	113,890	-	-	454,313
Net maturity mismatches	556,611	(11,364)	(113,890)	32,983	15,173	
Off-balance sheet liabilities						
Credit and commitments	-	-	1,071	-	-	1,071
Net maturity mismatches	-	-	1,071	-	-	1,071

(p) Capital management and capital adequacy

The capital adequacy ratios of Islamic Banking Window are computed in accordance with the BNM Capital Adequacy Framework for Islamic Banking (Capital Components) and Basel II - Risk-Weighted Assets Framework for Islamic Banking.

	2017 RM'000	2016 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital		
Capital fund	450,000	450,000
Accumulated losses	(518)	(406)
Other reserves	(81)	(353)
Regulatory adjustments applied in the calculation of CET1 Capital	(144)	(175)
Total CET1/Tier 1 Capital	449,257	449,066
Tier 2 Capital		
Financing loss provision		
- Surplus eligible provisions over expected losses	1,523	-
- Collective impairment provisions	2	-
Total Tier 2 Capital	1,525	-
Total Capital	450,782	449,066

44. Islamic Banking Operations (Continued)

(p) Capital management and capital adequacy (Continued)

(a) The capital adequacy ratios are as follows:

	2017 RM'000	2016 RM'000
CET1/Tier 1 Capital	73.643%	427.722%
Total Capital	73.893%	427.722%

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

	2017 RM'000	2016 RM'000
Total RWA for credit risk	583,283	95,851
Total RWA for operational risk	26,768	9,139
	610,051	104,990

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