United Overseas Bank (Malaysia) Bhd
Annual Report 2023

Building the Future of ASEAN

Build and Rebuild
Farhan Siki

Build and Rebuild

Farhan Siki
Synthetic enamel on canvas
140 x 110 cm

Build and Rebuild, the top winner of the 2022 UOB Painting of the Year (Indonesia) competition, Established Artist Category, is the design inspiration for this year's Annual Report. The artwork depicts the scene of reconstruction work to advance a nation despite the uncertain future.

Through the images of people laying bricks, working on cement mixers and climbing up and down the scaffolding, we see the building of homes, places of work and public facilities. This is a reflection of the fast development of our home region, where UOB strives to build a brighter future for the people and businesses in ASEAN.

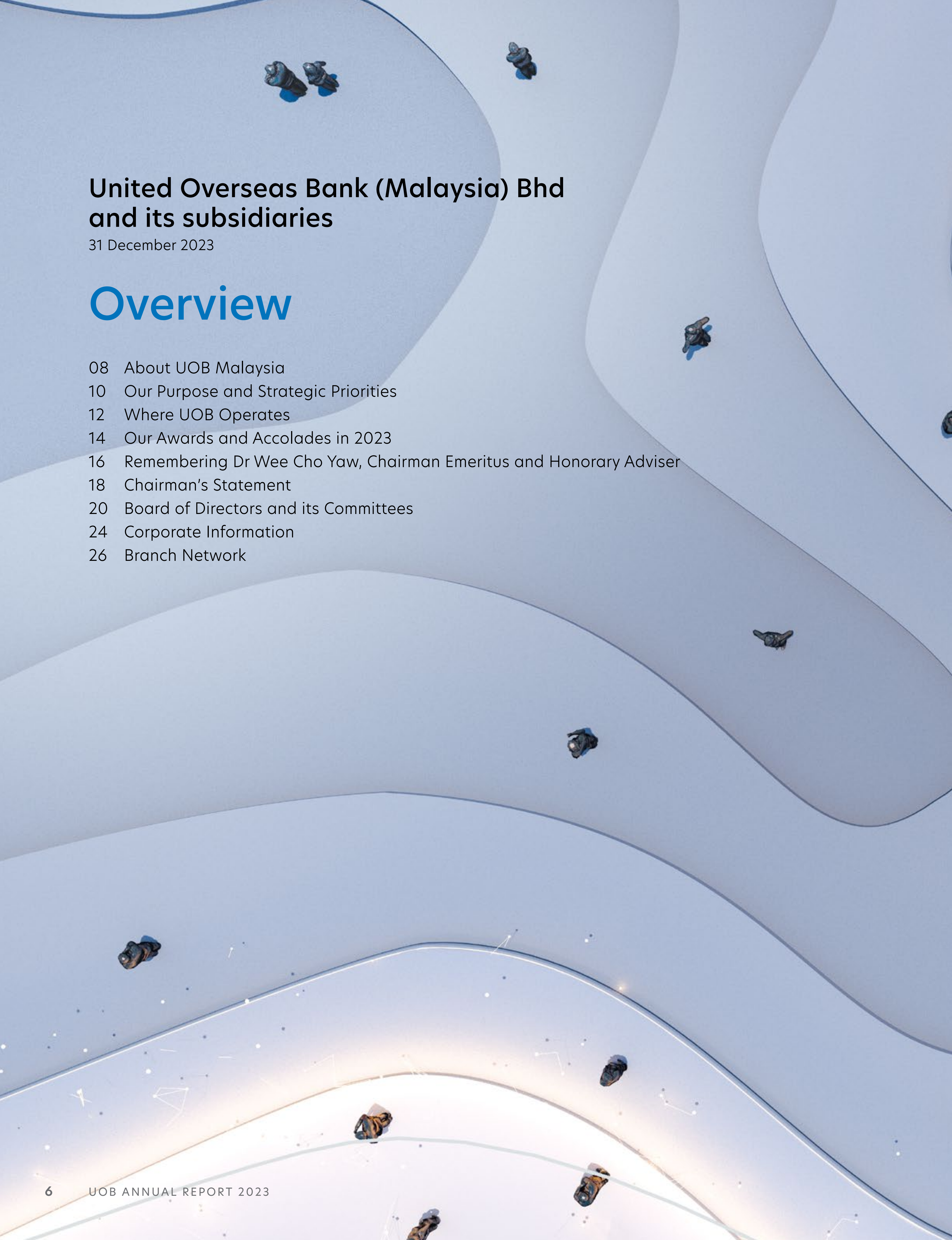
As the leading patron of the arts in Asia, UOB believes in the vital role of art in connecting communities. The UOB Painting of the Year competition, the Bank's flagship art programme now in its 42nd year, is currently held across five Southeast Asian markets where UOB has a deep presence.

Contents

Building the Future of ASEAN

For the people and businesses within, and connecting with, ASEAN.

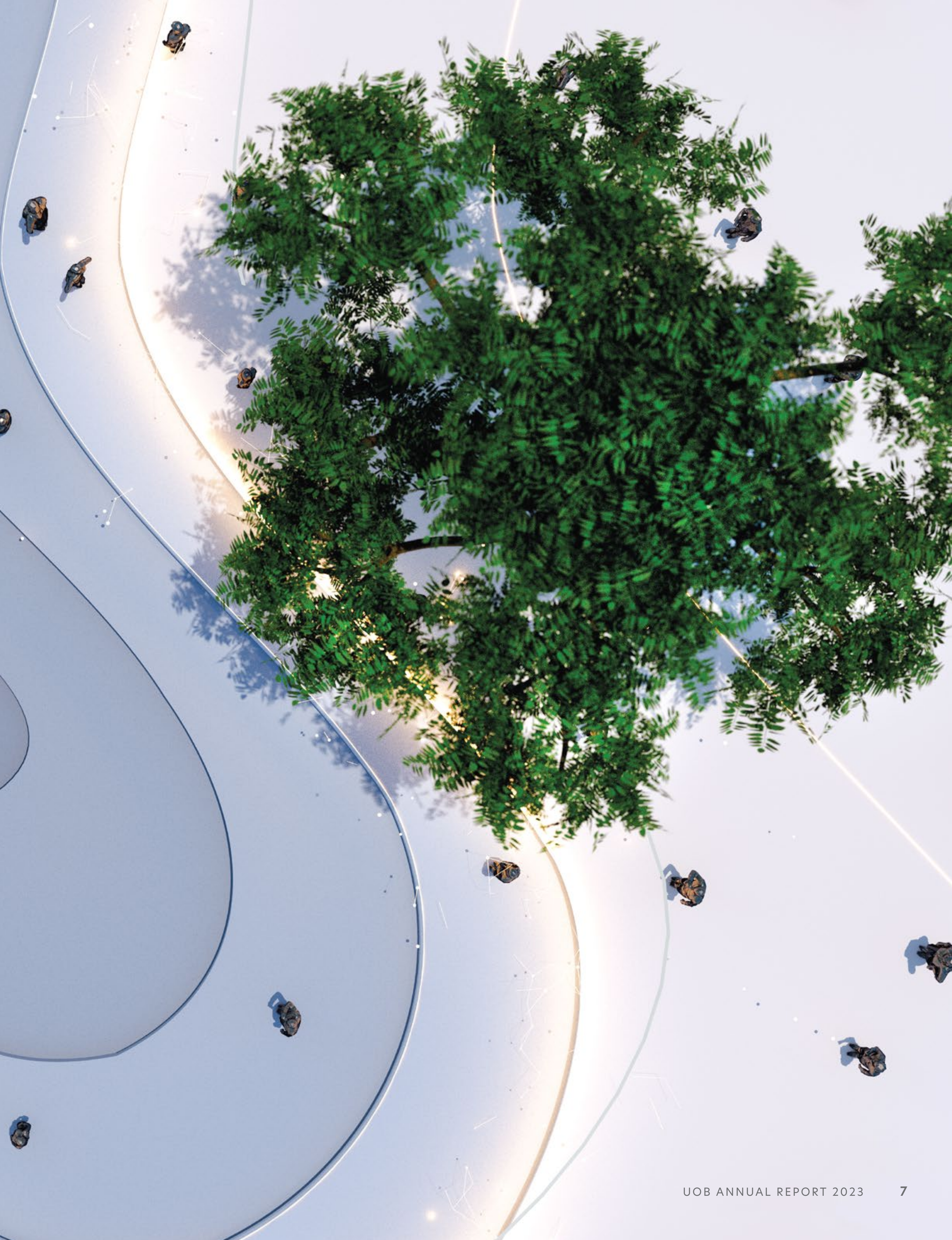
Our Purpose statement above underscores UOB's brand promise to do right by our stakeholders, including customers, colleagues and the community. It reflects our long-term strategy, signalling the Bank's intent to intensify investment in the region to help realise the potential of the people and businesses in ASEAN. It also reinforces UOB's commitment to facilitate economic flows within and with ASEAN to support businesses across generations.



United Overseas Bank (Malaysia) Bhd and its subsidiaries

31 December 2023

Overview



About UOB Malaysia

UOB Malaysia is rated among the top banks in Malaysia with a long-term AAA rating from Ratings Agency of Malaysia. It has over seven decades of presence in the country, and operates 55 branches nationwide, offering both conventional and Islamic banking services to its customers.

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

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

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

Our Purpose and Strategic Priorities

Building the future of ASEAN — for the people and businesses within, and connecting with, ASEAN.

Guided by our values and supported by our fundamental strengths, we focus on supporting our customers as we drive performance across our franchise.

Our approach to supporting our customers is based on a long-term mindset to stay prudent and disciplined in balancing growth with responsibility.

UOB Plaza 1 Kuala Lumpur

Our Strategic Focus

Create financial solutions that are personalised to individuals and businesses to help them achieve their personal and business financial goals through our omni-channel approach.

Help customers grow sustainably and integrate sustainability into our business and operations to drive responsible growth for positive and meaningful impact to the economy, society and environment.

Connect our customers across ASEAN, with Greater China and the rest of the world, through our sector specialisation, ecosystem partnerships and integrated digital platform, using a One Bank approach.

Build employee pride through fostering a culture of care, growth and trust, as we attract and grow our own timber.

Our Fundamental Strengths

Robust governance and risk management; strong capital and funding base

Established and integrated network

Diverse pool of talent and expertise

Asian heritage and Southeast Asian roots

Our Values

Honourable

Enterprising

United

Committed

Where UOB Operates

~500

branches and offices in Asia Pacific, Europe and North America.

Asia

Brunei	2	Myanmar	2
Hong Kong	2	Philippines	1
India	2	Singapore	65
Indonesia	133	South Korea	1
Japan	2	Taiwan	2
Mainland China	20	Thailand	194
Malaysia	58	Vietnam	7

Australia	2
Canada	3
France	1
United Kingdom	1
USA	3

Our Awards and Accolades in 2023

Adam Smith Awards Asia

- 2023 Best Supply Chain Solution - Highly Commended Winner (T7 CSI Integrated Sdn Bhd)

Alpha Southeast Asia

Financial Institution Awards 2023
- Best Trade Finance Bank in Malaysia
- Best Islamic Finance Deal & Most Innovative Islamic Finance Deal of the Year

Asiamoney

- Private Banking Awards – Best International Private Bank (Malaysia)

Asian Banking & Finance

- Retail Banking Awards 2023
  - International Retail Bank of the Year (Malaysia)
- Wholesale Banking Awards 2023
  - International Trade Finance Bank of the Year (Malaysia)
  - International Cash Management Bank of the Year
  - International Trade Finance Bank of the Year

Corporate Treasurer

Corporate Treasurer Awards 2023
- Best Transaction Bank in Southeast Asia
- Most Innovative Treasury & Finance Strategies – Winner Top 10 (Flash Payment (M) Sdn Bhd)
- Most Innovative Treasury & Finance Strategies – Winner Top 10 (Ginmit Trading Sdn Bhd)
- Most Innovative Treasury & Finance Strategies – Winner Top 10 (Maxi Cash (Malaysia) Sdn Bhd)

Employee Experience Awards (EXA) 2023 Malaysia

- Silver Award - Best Work-Life Harmony Strategy

Islamic Finance News (IFN)

Islamic Finance News (IFN) Deal of the Year 2022
- Malaysia's Deal of the Year 2022 – Amanat Lebuhraya Rakyat
- Structured Finance Deal of the Year – Amanat Lebuhraya Rakyat

National Energy Awards (NEA)

Malaysian Green Technology and Climate Change Corporation (MGTC) National Energy Awards
- Special Award for Sustainable Energy Financing under the Foreign Bank Category

Retail Banker International Asia

- Retail Banker Asia Trailblazer 2023 Awards

Talent Corporation (TalentCorp) Malaysia Berhad - Life At Work Awards

TalentCorp Malaysia Life At Work Awards 2023
- 2nd Runner Up - Outstanding Practices Young Graduates
- 2nd Runner Up - Outstanding Practices Flexible Work Arrangements
- 2nd Runner Up – Best International Organisation

The Asian Banker Awards

The Asian Banker Malaysia Awards 2023 - Excellence in Retail Financial Services and Technology Innovation Awards
- Best Digital Ecosystem Initiative in Malaysia (SmartBusiness)

The Asian Banker Malaysia Awards 2023 – Best Foreign Retail Bank Year of 2022 (Malaysia)

Transaction Finance Awards 2023
- Best Cash Management Bank

The Asian Business Review

Asian Experience Awards 2023
- Malaysia Digital Experience of the Year – Financial Services – UOB SME

ESGBusiness Awards
- Workplace Wellness Programme Award – Malaysia
- Renewable Energy Financing Programme Award – Malaysia (U-Solar)

The Asset

The Asset Triple A Treasurise Awards 2023
- Best Service Provider in Malaysia – Trade Finance
- Best Payments and Collection Solutions Award (STSS Concept Sdn Bhd)
- Best Trade Finance Solution (KIJ Ultra Supreme Filtration)
- Best Trade Finance Solution (T7 CSI Integrated Sdn Bhd)

Triple A Islamic Finance Awards 2023
- Best Sustainability Sukuk – Transport (Amanat Lebuhraya Rakyat Berhad)
- Best Quasi-Sovereign Sukuk (Danum Capital)

Sustainable Infrastructure Awards 2023
- Renewable Energy Deal of the Year (JAKS Nibong Tebal Sdn Bhd)
- Transport Deal of the Year (Amanat Lebuhraya Rakyat Berhad)

Remembering Dr Wee Cho Yaw, Chairman Emeritus and Honorary Adviser

Dr Wee Cho Yaw, Chairman Emeritus and Honorary Adviser to the UOB Group, passed away on 3 February 2024 at the age of 95. Dr Wee, a visionary banker, celebrated businessman and community pillar, was pivotal to UOB's development into a leading bank in Asia.

In the more than five decades under his leadership, UOB grew from a one-branch bank to a regional bank with around 500 branches and offices in 19 countries and territories. Through his unwavering focus on prudent, disciplined and sustainable growth, the Group's assets increased from $2.8 billion in 1974 to more than $253 billion at the time of his retirement as Chairman in 2013.

Dr Wee believed in the importance of education and giving back to the community. He was founding president of the Singapore Federation of Chinese Clan Associations from 1985 to 2010. He also headed the Singapore Hokkien Huay Kuan from 1972 to 2010. He was a firm believer in the value of education and contributed to schools and various education initiatives. Encouraged by his commitment to the community, UOB also set up the $50 million Wee Cho Yaw Future Leaders Award scholarship programme to provide financial assistance to students from disadvantaged backgrounds.

Dr Wee's passing was met by an outpouring of tributes. Thousands of people paid their respects to Dr Wee at his wake. These included employees, clients, business associates, and leaders from the community, government and businesses.

On 7 February 2024, hundreds of UOB employees and the public gathered at the UOB Plaza Atrium to bid a final farewell to Dr Wee, as his cortege arrived for a brief memorial. As a mark of respect, the attendees observed a minute of silence during the memorial.

Dr Wee received many accolades over his career. They included the Distinguished Service Order, one of Singapore's highest National Day Awards, ASEAN Business Advisory Council Legacy Award for Singapore and Honorary Degrees of Doctor of Letters from the National University of Singapore and Nanyang Technological University.

On 7 February 2024, hundreds of UOB employees and the public gathered at the UOB Plaza Atrium to bid a final farewell to Dr Wee, as his cortege arrived for a brief memorial.

Dr Wee in his office in the early days of his career.

Singapore's first Prime Minister, Mr Lee Kuan Yew (right) with Dr Wee at the opening ceremony of the new UOB Plaza 1 on the Bank's 60th anniversary in 1995.

Dr Wee (right) with his father, Datuk Wee Kheng Chiang (middle), founder of UOB, in the 1970s.

Dr Wee with ex-OUB Chairman, Mr Lee Hee Seng (right), at the media conference announcing UOB's acquisition of OUB in 2001.

Dr Wee at the official opening of UOB's first branch in mainland China in Xiamen in 1985.

"Dr Wee was one of Singapore's legendary entrepreneurs who made immense contributions to the banking industry and beyond. Under his leadership, UOB expanded greatly, both in scale and scope. He also guided UOB through several international and regional financial and economic crises. Throughout his 60 years at the Bank, Dr Wee applied his qualities in full concentration for the benefit of the UOB Group. He also instilled in colleagues the importance of possessing the right attitudes and aptitudes to build the business and to sustain its growth. Dr Wee will always be remembered and an integral part of UOB."

Mr Wong Kan Seng
Chairman, United Overseas Bank Limited

Chairman's Statement

The Malaysian economy delivered moderate growth in 2023 supported by the country's strong domestic demand and resilient fundamentals amid ongoing challenges of a weakening external demand, inflationary pressures and interest rates weighing down on the Ringgit.

Against this backdrop, UOB Malaysia recorded a historical high total operating income of RM4.6 billion and net profit before tax of RM1.9 billion for the year, which were 19.3 per cent (2022: RM3.9 billion) and 44.4 per cent higher than the year before (2022: RM1.3 billion) respectively. Meanwhile, operating expenses was only 3.6 per cent higher mainly due to a one-off cost incurred from the acquisition of Citigroup's consumer banking business. We continue to maintain disciplined cost management in the rest of our expenses.

Net interest income increased by 7.4 per cent to RM2.9 billion (2022: RM2.7 billion). This was mainly attributed to the consolidation of Citigroup's consumer banking business. Additionally, the contribution of net income from our Islamic Banking business also rose by 14.8 per cent to RM169.6 million (2022: RM147.7 million). Other operating income increased by 50.0 per cent to RM1.6 billion (2022: RM1.0 billion), mainly driven by higher net foreign exchange gains and fee and commission income. Higher fee and commission income was contributed from the Citigroup acquisition.

Total allowance for expected credit losses increased by RM191.4 million to RM331.4 million. This was largely attributable to higher expected credit losses of non-impaired assets, and commitments and contingencies, coupled with higher expected credit loss made for impaired assets.

Gross loans, advances and financing rose 1.4 per cent to RM107.1 billion (2022: RM105.7 billion) and non-bank deposits increased 4.6 per cent to RM116.0 billion (2022: RM110.9 billion).

2024 Outlook

Modest global growth amid challenges and opportunities

We foresee global growth maintaining at modest levels in 2024, with moderate growth in advanced economies and China grappling with challenges from its weakened property sector and subdued growth.

A notable theme for the year is the global trend of monetary policy easing, with the US Federal Reserve expected to lower interest rates. China is anticipated to implement increased monetary and fiscal support to mitigate growth risks. Southeast Asia's economic growth is projected to stabilise, buoyed by improved external trade, tourism recovery and resilient domestic demand. While the region's fundamentals and long-term prospects remain positive, potential risks include inflation acceleration, geopolitical tensions, tightening financial market conditions, and climate-related challenges.

In Malaysia, economic growth is expected to improve in 2024, driven by favourable labour market conditions, stronger tourism activity, technological advancements, ongoing investment projects, and national master plan implementations. Despite potential challenges such as elevated costs and cautious demand, Malaysia's diversified economic structure and policy support are anticipated to underpin sustained growth.

Chairman's Statement (Continued)

Board acknowledgements

I extend my heartfelt gratitude to our esteemed management team and dedicated employees for their unwavering commitment to advancing the Bank's mission, serving our customers and stakeholders with excellence and championing sustainability.

On behalf of the Board, I wish to pay tribute to the late Dr Wee Cho Yaw, Chairman Emeritus and Honorary Adviser to the UOB Group. Dr Wee was a towering leader and was highly respected by the banking industry and business community in the region. Under his six decades of visionary leadership, UOB grew from a one-branch bank to a regional bank in 19 countries and territories. We, at UOB Malaysia, will continue to honour his legacy by carrying forward his vision and passion in shaping the future of the Bank and ASEAN.

I also wish to express my sincere appreciation to Dato' Jeffrey Ng and Puan Fatimah Merican, who retired from our Board in 2023 after years of invaluable service to UOB Malaysia. Their leadership and expertise have greatly benefited the organisation, and we wish them continued success in their future endeavours.

Additionally, I warmly welcome Mr Arthur Chin and Tunku Alina Alias as new members of our Board of Directors. Mr Chin and Tunku Alina bring valuable experience and expertise that will strengthen the Board's overall capabilities and effectiveness. I look forward to their contributions and support as we strive to create enduring value for our customers and contribute to the development of the country.

Lastly, I extend my deepest gratitude to our customers for their continued trust and confidence in UOB Malaysia. We remain steadfast in our commitment to delivering exceptional service and fostering long-term relationships, built on trust and integrity.

Ching Yew Chye
Chairman

April 2024

Board of Directors and its Committees

As at 1 March 2024

Board

- Ching Yew Chye (Chairman)
  Independent
- Wee Ee Cheong (Deputy Chairman)
  Executive
- Ng Wei Wei
  Managing Director and Chief Executive Officer
- Chin Shoon Chong, Arthur
  Independent
- Tunku Alina Binti Raja Muhd Alias
  Independent

Nominating Committee

- Tunku Alina Binti Raja Muhd Alias (Chairperson)
- Wee Ee Cheong
- Ching Yew Chye
- Chin Shoon Chong, Arthur

Remuneration Committee

- Tunku Alina Binti Raja Muhd Alias (Chairperson)
- Ching Yew Chye
- Chin Shoon Chong, Arthur

Risk Management Committee

- Chin Shoon Chong, Arthur (Chairman)
- Ching Yew Chye
- Tunku Alina Binti Raja Muhd Alias

Audit Committee

- Chin Shoon Chong, Arthur (Chairman)
- Ching Yew Chye
- Tunku Alina Binti Raja Muhd Alias

Board of Directors

As at 1 March 2024

Ching Yew Chye

Board Chairman
Independent

Appointed as a director: 1 June 2018
Appointed as Board Chairman: 16 June 2023

Mr Ching started his career in Robert Horne Group of Companies in Northampton, England in 1977 and thereafter moved on to Scicon Consultancy in London, England in 1979. He then joined Accenture in 1982, a global management consulting, technology services and outsourcing company listed on the New York Stock Exchange. He retired from Accenture as Senior Partner in May 2007 after a successful career spanning of more than 25 years of service.

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

Current Directorship in Other Companies and Principal Commitments
- AIA General Berhad (Chairman)
- Genting Plantations Berhad (Director)
- YTL Starhill Global REIT Management Limited (Director)

Past Directorships in Other Companies and Principal Commitments
- AIA Bhd (Chairman)
- Petronas Chemicals Group Berhad (Director)
- HSBC Bank Malaysia Berhad (Director)
- Avenue Invest Berhad (Director)
- China YuChai Limited (Director)
- Yorkville Advisors HK Ltd (Member of Advisory Board)

Education and Achievements
- Bachelor of Science (Honours), University of London, UK

Wee Ee Cheong

Deputy Chairman
Executive

Appointed as a director: 23 March 1994
Appointed as Deputy Chairman: 25 July 2001

A career banker with more than 40 years' experience in the UOB Group. Mr Wee is also active in the banking and financial services industry and the community through his involvement in various industry-based organisations.

Board Committee Position
- Nominating Committee (Member)

Current Directorship in Other Companies and Principal Commitments
- United Overseas Bank Limited (Deputy Chairman and Chief Executive Officer)
- United Overseas Insurance Limited (Chairman)
- PT Bank UOB Indonesia (President Commissioner)
- United Overseas Bank (China) Limited (Chairman)
- United Overseas Bank (Thai) Public Company Limited (Chairman)
- The Association of Banks in Singapore (Council Member)
- The Institute of Banking & Finance (Vice Chairman)
- Singapore-China Foundation (Member, Board of Governors)
- Singapore Chinese Chamber of Commerce & Industry (Honorary Council Member)
- Nanyang Academy of Fine Arts (Patron)
- Wee Foundation (Director)

Past Directorships in Other Companies and Principal Commitments
- Far Eastern Bank Limited (Director)
- Pan Pacific Hotels Group Limited (Director)
- United International Securities Ltd (Director)
- UOL Group Limited (Director)
- Housing & Development Board (Deputy Chairman)
- Port of Singapore Authority (Director)
- Visa AP Senior Client Council (Member)

Education and Achievements
- Master of Arts (Applied Economics), American University, Washington, DC
- Bachelor of Science (Business Administration), American University, Washington, DC
- Singapore Public Service Star (2013)
- Singapore Corporate Awards, Best CEO (large cap listed companies) (2022)
- The Asian Banker CEO Leadership Achievement for Singapore Award (2022)
- The Business Times Businessman of the Year (2021/2022)

Board of Directors

As at 1 March 2024

Ng Wei Wei

Managing Director and Chief Executive Officer

Appointed to the Board as Managing Director and Chief Executive Officer of UOB Malaysia: 1 May 2022

Ms Ng is a career banker with over two decades of experience. She has held various senior country and regional leadership roles at global financial institutions in Malaysia and Hong Kong. The highlight of her tenure in Hong Kong was when she was responsible for overseeing trade businesses for ten countries in the Asia Pacific region for an international financial institution.

Ms Ng rejoined UOB Malaysia in June 2019 as the Managing Director and Country Head of Wholesale Banking where she was instrumental in growing the wholesale business. She was subsequently promoted to be the Deputy CEO of UOB Malaysia on 1 July 2021 and was entrusted to oversee Retail Banking, Channels and Digitalisation as well as the Risk Management functions while continuing to lead the Wholesale Banking business.

Since taking the helm in 2022, Ms. Ng has been instrumental in the Bank's transformation. She led the successful integration of Citigroup's consumer banking business and has been championing the sustainability agenda in the Bank to support local businesses in transitioning to net zero. Additionally, she leads the Bank's efforts in enabling businesses to capture the rich opportunities in the region and facilitating foreign direct investment into the country by leveraging the Bank's strong regional footprint. Ms Ng is also a strong advocate for talent development and fosters an inclusive workplace culture by promoting diversity, equity, and inclusion within the Bank.

Board Committee Position
- Nil

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

Past Directorships in Other Companies and Principal Commitments
- Nil

Education and Achievements
- Bachelor of Commerce with double major in Accounting and Management, Monash University of Melbourne, Australia
- Chartered Banker, Chartered Banker Institute, United Kingdom
- Chartered Banker, Asian Institute of Chartered Bankers

Chin Shoon Chong, Arthur
Independent

Appointed as a director: 10 April 2023

Mr Arthur Chin started his career as an auditor since 1988. In 1992, he joined KPMG and was appointed as Partner in 2007 until his retirement in December 2021 as KPMG Financial Services partner after having a career span of more than 30 years of experience in audit and related fields involving initial public offering, accounting advisory, corporate advisory, restructuring and due diligence review. Being a partner of KPMG, he was involved in financial services audit mainly in foreign owned banks as well as some insurance companies in Malaysia. He also led audits in other industries such as credit services, steel and aluminium, pharmaceutical and healthcare, consumer and industrial goods.

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

Current Directorship in Other Companies and Principal Commitments
- Nil

Past Directorships in Other Companies and Principal Commitments
- Nil

Education and Achievements
- Malaysian Institute of Certified Public Accountants (Member)
- Malaysian Institute of Accountants (Member)
- Chartered Institute of Management Accountants (CIMA), UK (Member)

Tunku Alina Binti Raja Muhd Alias
Independent

Appointed as a director: 1 September 2023

Tunku Alina is an experienced independent director serving on multiple boards of public listed and private companies. She is a lawyer by profession and is a trained mediator and facilitator. She volunteers as an advisor to United Nations Global Compact Malaysia-Brunei and as Endeavor Malaysia mentor to start-up entrepreneurs. Sustainability and corporate governance, with an emphasis on climate change risks and board progression, are her focus areas and to this end, she frequently contributes in activities and programs by the Institute of Corporate Directors Malaysia, Leadwomen and the 30% Club Malaysia Chapter.

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

Current Directorship in Other Companies and Principal Commitments
- Nestle Malaysia Berhad (Director)
- IJM Corporation Berhad (Director)
- Batu Kawan Berhad (Director)
- JA Russell & Co Sdn Bhd (Chairperson)
- Joyous Waves Sdn Bhd (Director)

Past Directorships in Other Companies and Principal Commitments
- Harps Holdings Berhad (Chairperson)
- Malaysian Building Society Berhad (Director)
- MBSB Bank Berhad (Director)
- Chemical Company of Malaysia Berhad (Director)
- Malaysian Pacific Industries Berhad (Director)

Education and Achievements
- Bachelor of Laws, University of Malaya
- Masters in Law, King's College, London
- Advance Management Programme, Oxford University - Green Templeton College
- PhD in Islamic Finance, International Centre for Education in Islamic Finance

Corporate Information

As at 31 December 2023

Senior Management

Ng Wei Wei (Ms)
Chief Executive Officer

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

Lee Che Kong
Managing Director
Country Head, Global Markets

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

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

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

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

Lai Tak Ming
Executive Director
Country Head, Human Resources

Loke Chee Keen, Daniel
Executive Director
Country Head, Compliance

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

Mohd Fhauzi Muridan
Executive Director
Country Head, Islamic Banking

Wan Yoke Nee, Penny (Ms)
Executive Director
Country Head, Legal & Secretariat

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

Yap Kok Tee
Executive Director
Country Head, Channels and Digitalisation

Secretaries
Wan Yoke Nee, Penny
Lai Su Ming

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

Share Capital
Share capital: RM792,555,000

Registered Office
Level 22, UOB Plaza 1 Kuala Lumpur,
No. 7 Jalan Raja Laut,
50350 Kuala Lumpur

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

Telephone: 03- 2692 4511
SWIFT: UOVBMYKL
Email: uobcustomerservice@UOB.com.my
Website: www.UOB.com.my

Branch Network

Federal Territory / Negeri Sembilan
Central Area I
Kuala Lumpur Main Branch
Ground Floor, UOB Plaza 1
7, Jalan Raja Laut
50350 Kuala Lumpur
Area Manager: Phuah Ah Keng

Federal Territory
Kuala Lumpur Main Branch
Ground Floor, UOB Plaza 1
7, Jalan Raja Laut
50350 Kuala Lumpur
Manager: Joe Ng Weng Bu

Jalan Imbi Branch
197-199, Jalan Imbi
55100 Kuala Lumpur
Manager: Claire Wong Chai Chee

Jalan Pudu Branch
408-410, Jalan Pudu
55100 Kuala Lumpur
Manager: Daniel Foong Wai Choy

Bangsar Branch
Bangunan Bangsaria
45E, Jalan Maarof
Bangsar Baru
59100 Kuala Lumpur
Manager: Jenny Lim Hsin Ee

Sri Petaling Branch
1, Jalan Radin Bagus 6
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Manager: Johnsen Phoon Leong Yew

Jalan Ampang Branch
Menara Citibank
No 165, Jalan Ampang
50450 Kuala Lumpur
Manager: Mona Tan Swee Ling

Negeri Sembilan
Seremban Branch
24-26, Jalan Dato Lee Fong Yee
70000 Seremban
Manager: Jeffrey Liewn Chee Kean

Federal Territory / Selangor
Central Area II
2108, Jalan Meru
41050 Klang
Area Manager: Tracia Kek Choon Yian

Federal Territory
Kepong Branch
82, Ground Floor
Jalan 3/62D, Medan Putra Business Centre
Sri Menjalara, Off Jalan Damansara
52200 Kuala Lumpur
Manager: Vanessa Yew Shok Leng

Selangor
Ijok Branch
57, Jalan PPAJ 3/1
Pusat Perdagangan Alam Jaya
42300 Bandar Puncak Alam
Manager: Oh Seng Hu

Klang Branch
2108, Jalan Meru
41050 Klang
Manager: Violet Koh Geok Lan

Kota Damansara Branch
48, Jalan PJU 5/8
Dataran Sunway
Kota Damansara
47810 Petaling Jaya
Manager: Ching Wei Peng

Bandar Bukit Tinggi Branch
32A, Lorong Batu Nilam 4b
Bandar Bukit Tinggi 1
41200 Klang
Manager: Yeoh Kean Hiong

USJ Taipan Branch
No 7, Jalan USJ 10/1
USJ Taipan Triangle
47620 UEP Subang Jaya
Manager: Samantha Wong Thien Sen

Centro Klang Branch
G101, Centro Business Centre,
8, Jalan Batu Tiga Lama,
41300 Klang
Manager: Oh Seng Hu

Damansara Perdana Branch
Lot W106 & W107
Metropolitan Square Centre Wing,
Jalan PJU 8/1, Damansara Perdana
47820 Petaling Jaya
Manager: Ching Wei Peng

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

Selangor

Central Area III
1, Jalan SS21/58, Ground Floor
Uptown 1, Damansara Uptown
47400 Petaling Jaya
Area Manager: Wong Yin Pheng

Ampang Branch
495, Jalan Lima
Taman Ampang Utama
Jalan Ampang
68000 Ampang, Selangor
Manager: Donald Hew Chun Kie

Cheras Branch
35, Jalan Desa Cahaya 11
Taman Desa Bukit Cahaya
56100 Cheras, Selangor
Manager: Wendy Yap Nyet Foong

Damansara Uptown Branch
1, Jalan SS21/58
Ground Floor, Uptown 1, Damansara Uptown
47400 Petaling Jaya
Manager: Andy Loo Say Chye

Jalan Othman Branch
39-45, Jalan Othman
46000 Petaling Jaya
Manager: Nathan Cheah Siew Loon

Jalan Tengah Branch
2-6, Jalan Tengah
46200 Petaling Jaya
Manager: Kennedy Choo Wei Hong

Puchong Branch
6, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong
Manager: Susan Ee Sook Sun

Bandar Puteri Puchong Branch
No 26, Jalan Puteri 1/1, Bandar Puteri,
47100 Puchong
Manager: Kennedy Choo Wei Hong

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

Pahang / Terengganu / Kelantan

East Coast Area
2, Jalan Besar
25000 Kuantan
Area Manager: Georgina Tia Lee Ping

Pahang

Kuantan Branch
2, Jalan Besar
25000 Kuantan
Manager: Lee Kar Choon

Bentong Branch
61-62, Jalan Loke Yew
28700 Bentong
Manager: Karen Lee Shek Fern

Raub Branch
14 & 16, Jalan Tun Razak
27600 Raub
Manager: Karen Lee Shek Fern

Terengganu

Kuala Terengganu Branch
51, Jalan Sultan Ismail
20200 Kuala Terengganu
Manager: An Tay Pei Yian

Kelantan

Kota Bharu Branch
No 724, Jalan Sultanah Zainab
15000 Kota Bharu
Manager: Wei Hui Kim

Perak / Pulau Pinang / Kedah

North Area Centre
1st Floor, 64E-H, Lebuh Bishop
10200 Pulau Pinang
Area Manager: Jonathan How Boon Seong

Perak

Ipoh Branch
2, Jalan Dato' Seri Ahmad Said
30450 Ipoh
Manager: Caryl Shim Weng Han

Pulau Pinang

Bukit Mertajam Branch
1, Jalan Tembikai
Taman Mutiara
14000 Bukit Mertajam
Manager: Ang Zhen Yao

Butterworth Branch
4071 & 4072, Jalan Bagan Luar
12000 Butterworth
Manager: Tay G. Lim

Jalan Kelawei Branch
9, Jalan Kelawei
10250 Pulau Pinang
Manager: Lee Ai Pin

Lebuh Bishop Branch
64E-H Lebuh Bishop
10200 Pulau Pinang
Manager: Tan Yang Cheng

Penang Garden Branch
No 42, Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Manager: Celina Khor She Ying

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

Kedah

Alor Setar Branch
55, Jalan Gangsa
Kawasan Perusahaan Mergong 2
05150 Alor Setar
Manager: Choo Kin Chuan

Sungai Petani Branch
No 4, Jalan Cempaka 1/3
Amanjaya Square
08000 Sungai Petani
Manager: Jaslyn Law Chew Shih

Melaka / Johor

South Area Centre
Bangunan UOB
8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Area Manager: Goh Boon Siang

Melaka

Kota Laksamana Branch
No 24, Jalan KLJ 4
Taman Kota Laksamana Jaya
75200 Melaka
Manager: Maria Tan Swee Tin

Malim Branch
1, Jalan PPM 8, Plaza Pandan
Malim Business Park
Jalan Balai Panjang
75250 Melaka
Manager: Yang Suan Seng

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

Johor

Muar Branch
10, Jalan Pesta 1/1
Kg. Kenangan Tun Dr. Ismail (1)
Jalan Bakri
84000 Muar
Manager: Rowanne Gan Siok May

Batu Pahat Branch
Ground Floor, Wisma Sing Long
9, Jalan Zabedah
83000 Batu Pahat
Manager: Vincent Kek Wen Shen

City Square Branch
Lot 1-23, Johor Bahru City Square
106-108, Jalan Wong Ah Fook
80000 Johor Bahru
Manager: Ricky Teo Choh Meng

Kluang Branch
14-16 Jalan Dato Kapt Ahmad
86000 Kluang
Manager : Livia Wong Li Ngoh

Kulai Branch
31-1 & 31-2 Jalan Raya
Kulai Besar
81000 Kulai
Manager: Ben Liew Kar Voon

Taman Ponderosa Branch
Bangunan UOB
Ground Floor, No 8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Manager: Rachel Chong Siet Foon

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

Sabah / Sarawak

East Malaysia Area
UOB Tower CT160, Level 1,
Block C, iCom Square
Jalan Pending
93450 Kuching
Area Manager: Lee Kui Ping

Sabah

Kota Kinabalu Branch
Bangunan UOB
70 Jalan Gaya
88000 Kota Kinabalu
Manager: Chua Fui Ming

Sandakan Branch
Lot 91 & 92, Block 10
Bandar Prima Square, Jalan Utara
90000 Sandakan
Manager: Kuan Tze Loi

Tuaran Branch
9 & 10, Jalan Datuk Dusing
89208 Tuaran
Manager: Chua Fui Ming

Sarawak

Sibu Branch
8, Lorong 7A Jalan Pahlawan
Jaya Li Hua Commercial Centre
96000 Sibu
Manager: Donald Fu Ping Yung

Miri Branch
108 & 110, Jalan Bendahara
98000 Miri
Manager: Jeremy Lim Wei Yaw

Kuching Branch
UOB Tower CT160, Level 1,
Block C, iCom Square
Jalan Pending
93450 Kuching
Manager: Emily Rolanda Yong

Bintulu Branch
207 & 208, Parkcity Commerce Square
(Phase III), Jalan Tun Ahmad Zaidi
97000 Bintulu
Manager: Wong Pak Yew

United Overseas Bank (Malaysia) Bhd and its subsidiaries

31 December 2023

Governance

Corporate Governance

Board of Directors - Composition, Function and Conduct

The Board of UOB (Malaysia) is committed to upholding good corporate governance, which is integral to the Bank's growth and success. The Board, together with Management, ensures that principles of good corporate governance are observed at all levels of the Bank. The Bank's corporate governance practices are guided by the principles set out in the Policy on Corporate Governance issued by Bank Negara Malaysia (BNM) and the Malaysian Code on Corporate Governance.

Board Duties

The Board's responsibilities, as set out in its Charter include:

- providing strategic direction, entrepreneurial leadership and guidance;
- approving annual business plans and budget;
- ensuring the financial statements are true and fair;
- monitoring financial performance;
- determining capital/debt structure;
- setting dividend policy and declaring dividends;
- reviewing risk management framework/policies, culture and internal controls;
- reviewing and approving Internal Ratings Based Framework; and
- managing Money Laundering/Terrorism Financing risks.

The Board also approves other material matters pertaining to remuneration policy, risk appetite, technology, data and productivity initiatives, policies relating to Shariah matters, Islamic Banking products and services, and matters reserved to the Board by the requirements of law and the regulators.

The Board receives updates through regular management reports, and interacts with Management outside of Board meetings. These would enable the Board to oversee the Bank's performance, operations and governance initiatives with greater depth and understanding.

Board Delegation

For purposes of being more agile in the discharge of its responsibilities, the Board has delegated certain duties to four Board Committees, namely the Nominating Committee (NC), Remuneration Committee (RC), Risk Management Committee (RMC) and Audit Committee (AC).

Each of the Board Committee operates within defined terms of reference (TORs) which set out the committee's composition, roles and responsibilities, operating processes including decision-making by the committee and reporting to the Board. These TORs are reviewed annually for continued relevance. After each Board Committee meeting, the chairman/chairperson of the respective Board Committees reports to the Board on significant issues and concerns discussed, and where applicable, recommendations made during the meetings.

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

Board and Board Committee Meetings

Board and Board Committee meetings are scheduled well ahead of the start of a calendar year. Additional meetings are held during the year if required by circumstances. Directors are informed of meeting dates well in advance and received comprehensive information related to the agenda items prior to a meeting. Papers for a meeting are uploaded onto a secure portal which directors can access via tablet devices provided by the Bank.

Managing Potential Conflicts of Interests

Each director is required to act honestly, in good faith and with due care and diligence when exercising his/her powers. All directors have to notify the Bank in a timely manner of any change in interests or other appointments. Where a director has an interest in a matter being discussed, he/she is required to recuse himself/herself from the discussion and abstain from voting on the matter.

Board Attendance

Directors' attendance at Board and Board Committee meetings in 2023 is set out in the table below. The contributions of directors go beyond their attendance at formal meetings. Directors have individually or collectively engaged Management outside formal meetings in their oversight of the affairs of the Bank.

	Number of meetings attended in 2023				
	Board of Directors	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Mr Ching Yew Chye%	4^	4	4^	2	4
Mr Wee Ee Cheong	5	N/A	N/A	N/A	5
Ms Ng Wei Wei	5	N/A	N/A	N/A	N/A
Mr Arthur Chin Shoon Chong#	3	2^	2^	1	2
Tunku Alina Raja Muhd Alias##	1	N/A	N/A	N/A	N/A
Puan Fatimah Merican***	5	4	4	3^	5^
Dato' Jeffrey Ng Tiong Lip**	3^	2	1	1	N/A
Datuk Phang Ah Tong*	1	-	-	-	1
Number of meetings held in 2023	5	4	4	3	5

^ Chairman/Chairperson of Committee.

- *Datuk Phang Ah Tong resigned as Director and Chairman of Audit Committee (AC)/Member of Risk Management Committee (RMC), Nominating Committee (NC) and Remuneration Committee (RC) wef 15 February 2023.
- Puan Fatimah Merican was appointed as Chairperson of AC wef 15 February 2023 up to 30 April 2023. Resumed as AC member wef 1 May 2023.
- Dato' Jeffrey Ng Tiong Lip (Dato' Jeffrey Ng) was appointed as Member of RMC and RC wef 15 February 2023 to 15 June 2023.
- #Mr Arthur Chin Shoon Chong (Mr Arthur Chin) was appointed as Director wef 10 April 2023.
- Mr Arthur Chin was appointed as the AC Chairman, member of RMC, NC and RC wef 1 May 2023.
- **Dato' Jeffrey Ng retired as INED and BOD Chairman wef 15 June 2023.
- %Mr Ching Yew Chye was appointed as BOD Chairman wef 16 June 2023.
- Mr Ching Yew Chye was re-designated as member of RMC wef 16 June 2023.
- Mr Arthur Chin was appointed as the RMC Chairman wef 16 June 2023.
- ##Tunku Alina Raja Muhd Alias was appointed as Director wef 1 September 2023.
- ***Puan Fatimah Merican retired as Director, Chairperson of RC and NC and Member of AC and RMC wef 2 November 2023.
- Tunku Alina Raja Muhd was appointed as the Chairperson of RC and NC and Member of AC and RMC wef 3 November 2023.

Board Independence, Composition and Diversity

The Board currently comprises five members, the majority of whom are independent directors. Mr Ching Yew Chye, Mr Arthur Chin Shoon Chong and Tunku Alina Binti Raja Muhd Alias are independent directors. Annually, the NC assists the Board to assess the overall composition and effectiveness of the Board and Board Committees as well as the independence of each director according to the criteria in BNM's Policy on Corporate Governance. For the year under review, the NC concluded that the independent directors (including Puan Fatimah Binti Merican who retired in November 2023) continue to demonstrate independence through their conduct and behavior and that each of them continues to fulfil the definition of independence.

The profiles of the directors can be found in the Board of Directors section of this report. Collectively, the directors have vast and varied experience in banking, finance, accounting, legal, business, management, technology and sustainability, and the skills and expertise relevant to the business of the Bank. The Board leverages the range of skills, expertise, experience and insights of its members in the discharge of its duties. The on-going review, appointment and re-appointment of the directors has ensured that the Board comprises a composition of longer-serving directors and newer ones to provide continuity and stability and to facilitate knowledge transfer.

Chief Executive Officer

Ms Ng Wei Wei, who is also the CEO of UOB (Malaysia), leads the management team and implements the strategies of the Bank as well as the decisions of the Board. With the assistance of senior management, the CEO takes executive responsibility for the day-to-day operations and business of the Bank, including seeking business opportunities and ensuring the system of internal controls and risk management framework and policies of the Bank are relevant, adequate and effective. The CEO also ensures that the Bank provides a conducive and healthy work environment for employees and the values of the Bank are observed in the Bank's activities.

Induction and Continuous Development

Training and development are important to enable the Board to keep abreast of prudential requirements and best practices. For the year under review, the Board had attended various training programmes related to their duties as directors including technology and digital transformation, artificial intelligence, Environmental, Social and Governance (ESG) principles, cyber security and anti-money laundering. As part of the Bank's continuous development programmes, new and existing directors receive training on topics that are relevant to the business of the Bank and thereby providing the directors with the relevant knowledge and skills to perform their roles effectively. They also attended external programmes organised by FIDE Forum, ISRA Consulting Sdn Bhd and Iclif Leadership and Governance Centre at Asia School of Business.

A new director receives an induction package upon appointment. The package includes amongst other materials, the articles of directorship which enumerate a director's general duties, obligations and responsibilities, the Board Charter, TORs of the Board Committees, and guidance on directors' duties and relevant company policies. The induction process consists of meetings with key senior management and briefings on key areas of the Bank's business, risk management and support functions. A new director who is also appointed to serve on Board Committees is briefed on specialised or technical topics relevant to the activities of those Board Committees.

Access to Information

Directors have unfettered access to information, the internal and external auditors and senior management for the purpose of carrying out their duties. Comprehensive information is provided to directors in advance of each meeting to enable their deliberation and decision-making at the meeting. The information provided includes financial, strategic, risk management and operational reports. Directors may approach Management should they require additional information. Senior executives are present at meetings to provide additional information or clarification on matters tabled. Where relevant, professional advisers may be invited to brief the Board or Board Committees.

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

Role of Company Secretary

The Board is supported by the Secretariat team and has independent access to the company secretary, whose appointment and removal are subject to the Board's approval. The company secretary is responsible to ensure that Board procedures are adhered to, advises the Board on corporate governance matters, assists the Board to monitor the execution of its decisions and facilitates communication between the Board and senior management. The company secretary also organises the induction of new directors and the directors' continuous development programmes, and provides updates on applicable laws and regulations.

Board Committees

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

Nominating Committee

The main responsibilities of the NC are as follows:

- review nominations for appointment and re-appointments as well as removal of directors, Shariah Committee members, CEO and key senior management officers and company secretary;
- review the size and overall composition of the Board and Board Committees annually and to ensure the Board and each Board Committee has an appropriate size and mix of competencies;

Nominating Committee (Continued)

- assess the effectiveness of the Board and Board Committees, as well as contribution and performance of each director to the effectiveness of the Board;
- assess the independence of each director annually based on the criteria in BNM's Policy on Corporate Governance;
- assess the performance of Shariah Committee members, CEO, key senior management officers and the company secretary;
- ensure all directors receive an appropriate continuous development programme in order to keep abreast with the latest developments in the industry;
- assess the fitness and propriety of directors, Shariah Committee members, CEO, key senior management and company secretary; and
- oversee the succession plan for the Board, CEO and key senior management officers.

Remuneration Committee

The main duties of the RC are as follows:

- provide a formal and transparent procedure for developing remuneration policy for directors, Shariah Committee members, CEO and key senior management officers;
- ensure that compensation is competitive and consistent with UOB (Malaysia)'s culture, objectives and strategy; and
- oversee the design and operation of the Bank's remuneration system, and recommends the framework of remuneration for directors, Shariah Committee members, CEO and key senior management officers for the Board's approval.

Each year, RC reviews and ensures the remuneration package is sufficient to attract and retain directors, Shariah committee members, CEO and key senior management officers.

Risk Management Committee

The RMC oversees risk management matters. The areas of oversight include the following:

- establishment and operation of a robust risk management system on an enterprise-wide basis, policies, processes and procedures to identify, monitor, control and report risks;
- review the adequacy and effectiveness of the risk management framework in managing credit, market, liquidity, interest rate, operational, regulatory compliance, Shariah non-compliance, technology, environmental and reputational risks;
- review the Bank's framework in managing money laundering and terrorism financing risks;
- review risk management strategies, policies and risk appetite;
- review bank-wide stress test scenarios, assumptions, parameters and results, reasonableness of proposed actions and contingency plans, and senior management's attestation on the overall state of business continuity preparedness of the Bank;
- provide oversight over technology-related matters;
- examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the RC;
- approve the appointment, resignation and dismissal of the Chief Risk Officer and review the performance of the risk management function; and
- review and endorse the environmental risk management framework in managing the environmental risk exposures.

Audit Committee

The AC oversees the Bank's financial reporting, and the effectiveness and adequacy of the Bank's internal control system. The AC also oversees matters relating to the following:

- financial statements and quality of, and any significant change in, accounting policies and practices;
- appointment, reappointment, evaluation and remuneration of the external auditor and plans, reports and results of external audit;
- integrated fraud management;
- review of fraud and whistleblowing cases reported to the Bank;
- review of policies and procedures for detecting fraud and whistleblowing;
- the review of and updates to the Board on credit transactions and exposures with connected parties and all related party transactions;
- review the accuracy and adequacy of the chairman's statement in the directors' report, corporate governance disclosures and interim financial reports in relation to the preparation of financial statements; and
- the appointment, resignation, resignation, dismissal, evaluation and compensation of the Head of Internal Audit.

Audit Committee (Continued)

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

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

The AC is also entrusted to review fraud and whistleblowing cases reported to the Bank. Annually, the AC reviews the policy governing the management of whistleblowing cases.

Financial Reporting

In presenting the annual accounts and quarterly announcements, the Board is committed to present a balanced, clear and understandable assessment of the financial position and prospect of the Bank. The Board is assisted by the AC to oversee the Bank's financial reporting by 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 125.

Internal Controls

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

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

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

Based on the internal controls and risk management processes established and maintained by the Bank, the work performed by IA, and the reviews performed by Senior Management and the relevant Board Committees, the Board - with the concurrence of the AC and the Risk Management Committee (RMC) - is of the opinion that the Bank's systems of risk management and internal controls, including financial, operational, compliance (including AML/CFT and sanctions) and information technology controls, was adequate and effective as at 31 December 2023.

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

Internal Audit

The Bank has a well-established internal audit function which has a primary reporting line to the Audit Committee (AC). The primary role of the Internal Audit (IA) function is to provide independent assessment of the adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. It operates within the framework defined in its IA Charter and adopts the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors, and is guided by The Internal Audit Function in Banks issued by the Basel Committee on Banking Supervision. To ensure IA maintains its high performance standards, IA conducts a self-assessment of its activities against these standards and guidelines annually. In addition to the self-assessment, an external quality assurance review of the IA function is also conducted once every five years. The last review was conducted in 2019.

Internal Audit ensures that the audit methodology remains relevant in addressing the ever-changing risk profile of the business in managing risks effectively as the Bank's Third Line. IA undertook the following key initiatives and activities in 2023:

- Performed a targeted review of Project Constellation's Operational Day 1 Readiness (OD1) to provide independent assurance of the combined UOB Malaysia Retail and ex-Citi Consumer businesses' preparedness to migrate to common UOB processes and systems.
- Introduced Behavioural Informed audit approach, which uses a model of organisational culture to assess behaviour and conduct, and completed new subject matter training on Behavioural Insights.
- Continued to broaden and deepen the use of advanced data analytics in targeted areas, employ more data analytics in audits; and
- Continued to deepen engagement with stakeholders towards a more effective audit process.

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

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

Remuneration Framework

UOB's Remuneration Framework sets out the principles and philosophies that guide the design, operation and management of our remuneration programmes. The objective is to ensure that we attract, motivate and retain a highly-skilled workforce, while encouraging value-based behaviours, aligned with our vision to become a trusted bank, that support the business objectives and strengthen the long-term financial strength of the Bank and the Group.

The Remuneration Committee (RC) conducts regular reviews of the compensation practices and programmes to ensure that they are consistent with regulatory requirements and are responsive to market developments.

Our Approach to Remuneration

The Bank's total compensation comprises two main components namely fixed pay and variable pay.

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

Our Approach to Remuneration (Continued)

- Fixed pay consists of base salary and fixed allowances that are pegged to the market value of the job.
- Variable pay which comprises of cash bonus and deferrals in the form of cash or shares where applicable, rewards employees based on the performance of the Bank, business units as well as the employee's individual performance.

We take a holistic view of various factors to determine and to ensure fair compensation for every employee. These factors include:
- **pay for position**: the market value of the employee;
- **pay for performance**: the performance of the Bank, business units and employee's individual achievement of performance targets;
- **pay for person**: the employee's personal attributes such as skills and experience;
- **living the UOB Values**: employee's demonstration of our UOB Values of Honour, Enterprise, Unity and Commitment.

Determining Variable Pay

UOB's performance-based variable pay is linked to the performance of the Bank, business functions and the employee's individual achievement of performance targets. The Bank's scorecard includes performance measures in three categories:

(1) financial outcomes,
(2) strategic drivers, and
(3) risk and reputation.

Financial outcomes metrics include Growth, Profitability, Productivity and Asset Quality. Strategic drivers include key initiatives that would help ensure the Bank's sustainability and propel it forward in the changing business environment. This includes Connectivity, Funding, Customer, Employee and Diversification. Under risk and reputation, the Bank takes account of the Risk Appetite Statement output assessed by the Risk Management Committee. Any breach in Risk Appetite Statement may result in adjustment in the total variable pay for the year. The Bank's key performance indicators are cascaded to business functions accordingly and subsequently to individual employees.

Employees are assessed based on (1) performance objectives, (2) competency behaviours and (3) behaviour that uphold to UOB Values. Variable pay of each employee is dependent and differentiated by the employee's performance at the end of every year.

Remuneration Governance

Control Functions

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

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

Variable Pay Deferrals

UOB's variable pay deferral policy applies to all senior ranked employees and material risk takers (MRT). Material risk taker refers to employees with significant organisational responsibilities who have material impact on the Bank's performance and risk profile, and employees with high risk mandate. The variable pay deferral is essential to meeting the following objectives:

- aligns compensation payment schedules with the time horizon of risks;
- retains key employees whose contributions are essential to the long-term growth and profitability of the Bank;
- encourages employees to focus on delivering sustainable long-term performance to align with shareholders' interests.

Under the variable pay deferral policy, variable pay is subject to deferral ranging from 20% to 40%, with the proportion of deferral increasing with the amount of total variable pay granted. Variable pay deferrals are either in the form of deferred cash or shares under the Executive Equity Plan (EEP) and will vest over three years. Unvested portions of the deferred shares and deferred cash will be eligible for dividends, subject to declaration by Group and interest respectively.

Remuneration Governance (Continued)

Variable Pay Deferrals (Continued)

The vesting of deferred compensation is subject to malus and clawback within seven (7) years from the grant date. Malus of unvested compensation and clawback of paid compensation will be triggered by, inter alia:

- Material violation of risk limits
- Bank-wide losses or material risks due to negligent risk-taking or inappropriate individual behaviour
- Material restatement of financial results
- Misconduct, malfeasance or fraud

Summary of 2023 Remuneration Outcomes

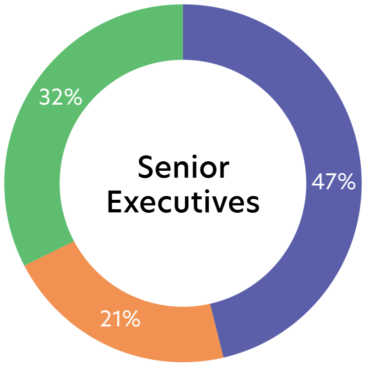
1. Breakdown of total remuneration for CEO for FY2023

Name	Fixed Pay (RM'000)	Variable Pay - Unrestricted (RM'000)	Deferred Variable Pay - EEP (RM'000)
Ng Wei Wei	1,536	1,800	1,200

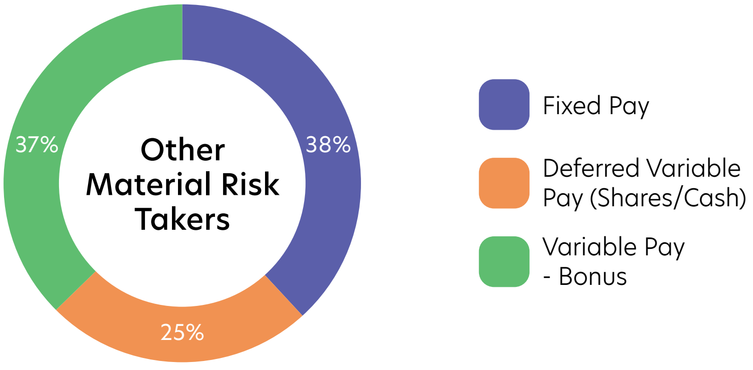
2. Breakdown of Remuneration Awarded to SEs and MRTs for FY2023

- Senior Executives (SEs) refers to the Chief Executive Officer and members of senior management comprising of country heads of Executive Director and Managing Director grades. There were 22 Senior Executives in 2023.
- In addition to all SEs, there were 4 other MRTs in 2023.

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



Total remuneration for FY2023 is RM34.61mil



Total remuneration for FY2023 is RM6.14mil

Summary of 2023 Remuneration Outcomes (Continued)

3. Guaranteed Bonuses, Sign-on Awards and Severance Payments for FY2023

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

4. Breakdown of Deferred Remuneration

Category	SEs	MRTs
Total amount of outstanding deferred remuneration		
Cash (RM'000)	-	144
Shares (RM'000)	12,928	725
Total amount of deferred remuneration paid in FY2023		
Cash (RM'000)	-	55
Shares (RM'000)	5,646	240
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.

Statement on Shariah Governance

UOB Malaysia first developed its Shariah Governance Framework (Framework) in 2016, adhering closely to the Shariah Governance Framework 2010 by Bank Negara Malaysia (BNM). In March 2020, the Bank replaced the Framework with the Shariah Governance Policy (Policy) by closely adhering to BNM's policy document on Shariah Governance that was issued on 20 September 2019. The Policy establishes the minimum governance standards governing the Board of Directors, Shariah Committee, senior management, Shariah control functions and secretariat to the Shariah Committee. Within the Policy, all parties are bound to exercise their duty of care and diligence to ensure the Bank's Islamic Banking business, operations and affairs comply with Shariah principles.

The Board is ultimately accountable and responsible for the overall Shariah Governance Structure and UOB Malaysia's Shariah compliance. In keeping with this, the Board must ensure that the Shariah Governance Structure adopted by the Bank commensurate with the size, complexity, and nature of its business.

To ensure that the Bank's operations are consistently conducted in according to Shariah principles, the Bank established an independent Shariah Committee (SC) to advise the Bank and to perform an oversight role on Shariah matters in relation to the Bank's Islamic Banking business and operations. While the Board ultimately bears the responsibility and is accountable for the overall governance of the Bank, the SC shall be responsible and accountable for all its decisions, views and opinions related to Shariah. The SC comprises of the following qualified members:

1. Dr. Zaharuddin Bin Abdul Rahman - Chairman
2. Dr. Samsuri Bin Sharif
3. Prof. Dr. Noraini Binti Mohd Ariffin
4. Assoc. Prof. Datin Dr. Wan Marhaini Binti Wan Ahmad
5. Dr. Muhammad Pisol Bin Muhd @ Mat Isa *(Appointed w.e.f. 16 October 2023)*

During the financial year, the SC met 6 times. Attendance by the SC members was recorded as follows:

SC Member	Attendance
Dr. Zaharuddin Bin Abdul Rahman (Chairman)	6/6
Dr. Samsuri Bin Sharif	5/6
Prof. Dr. Noraini Binti Mohd Ariffin	6/6
Assoc. Prof. Datin Dr. Wan Marhaini Binti Wan Ahmad	6/6
Dr. Muhammad Pisol Bin Muhd @ Mat Isa	1/1*

*Dr. Muhammad Pisol Bin Muhd @ Mat Isa - Appointed w.e.f. 16 October 2023

SC is supported on a functional basis by the Shariah Secretariat and the Shariah control functions including Shariah Review, Shariah Risk Management and Shariah Audit. The main duties and responsibilities of the Shariah Secretariat are to provide a secretariat function to the Bank's SC, conducting research on Shariah issues and providing day-to-day Shariah advice to the Bank's internal parties based on the rulings of the BNM Shariah Advisory Council (SAC), Securities Commission Malaysia and the decisions or advice of the Bank's SC.

Meanwhile, the Shariah Review conducts regular assessments on the compliance of the Bank's operations, business, affairs and activities with Shariah requirements.

Shariah Risk Management systematically identifies, measures, monitors, and reports Shariah non-compliance risks in the operations, business, affairs and activities of the Bank.

Finally, Shariah Audit provides an independent assessment of the quality and effectiveness of the Bank's internal control, risk management systems, and governance processes. The Shariah Audit scope covers the overall compliance of the Bank's operations, business, affairs and activities with Shariah.

In addition to the above, the Management is responsible for providing adequate resources across every function involved in Shariah governance implementation to ensure end-to-end compliance with Shariah principles. The Management expects the various functions to be responsible for and to manage the implementation of any or all rulings of the SAC and the decisions or advice of the SC and they are complying with the said policy.

Pillar 3 Disclosure

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

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

All values are presented in Ringgit Malaysia (RM) and rounded to the nearest thousand (RM'000).

Scope of Application

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

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

Capital Adequacy

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

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

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

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

Capital Adequacy (Continued)

The aggregate breakdown of Risk-Weighted Assets (RWA) of the Bank by exposures in each risk category as at 31 December 2023:

RM'000

Item	Exposure class 2023	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	32,026,905	32,026,905	-	-
	Public sector entities	319,727	319,727	-	-
	Insurance cos, securities firms and fund managers	81	81	81	7
	Corporates	304,841	302,684	301,198	24,096
	Regulatory retail	6,182,007	6,181,663	4,635,409	370,832
	Residential mortgages	5,634,647	5,634,647	2,126,131	170,090
	Higher risk assets	400	400	600	48
	Other assets	2,744,461	2,744,461	2,100,161	168,013
	Securitisation exposure	120,052	120,052	24,010	1,921
	Equity exposure	217,253	217,253	217,253	17,380
	Defaulted exposures	225,909	225,909	223,687	17,895
	Total on-balance sheet exposures	47,776,283	47,773,782	9,628,530	770,282
	Off-balance sheet exposures				
	OTC derivatives	321,033	321,033	100,687	8,055
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,099,275	4,097,254	3,095,007	247,601
	Defaulted exposures	56	56	79	6
	Total off-balance sheet exposures	4,420,364	4,418,343	3,195,773	255,662
	Total on and off-balance sheet exposures (SA)	**52,196,647**	**52,192,125**	**12,824,303**	**1,025,944**
1.2	Exposures under the Foundation IRB Approach (FIRB)				
	On-balance sheet exposures				
	Banks, Development Financial Institutions and MDBs	4,822,080	4,822,080	452,730	36,218
	Insurance cos, securities firms and fund managers	874,085	864,048	174,713	13,977
	Corporates	40,672,475	35,941,659	36,887,948	2,951,036
	Equity (simple risk weight)	941	941	2,823	226
	Defaulted exposures	1,229,940	1,165,059	12,851	1,028
	Total on-balance sheet exposures	47,599,521	42,793,787	37,531,065	3,002,485
	Off-balance sheet exposures				
	OTC derivatives	4,020,890	4,018,203	879,005	70,320
	Credit Derivatives	601	601	81	7
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,346,698	9,148,741	7,709,053	616,724
	Defaulted exposures	39,440	36,935	-	-
	Total off-balance sheet exposures	14,407,629	13,204,480	8,588,139	687,051
	Total on and off-balance sheet exposures (FIRB)	**62,007,150**	**55,998,267**	**46,119,204**	**3,689,536**

Capital Adequacy (Continued)

The aggregate breakdown of Risk-Weighted Assets (RWA) of the Bank by exposures in each risk category as at 31 December 2023 (Continued):

RM'000

Item	Exposure class 2023	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				
	Residential mortgages	36,332,345	36,332,345	4,369,097	349,528
	Qualifying revolving retail	2,937,111	2,937,111	1,019,250	81,540
	Other retail	14,753,194	14,753,194	2,618,067	209,445
	Defaulted exposures	1,284,600	1,284,600	612,493	48,999
	Total on-balance sheet exposures	55,307,250	55,307,250	8,618,907	689,512
	Off-balance sheet exposures				
	OTC derivatives	777	777	205	16
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,824,231	8,824,231	1,245,201	99,616
	Defaulted exposures	360	360	-	-
	Total off-balance sheet exposures	**8,825,368**	**8,825,368**	**1,245,406**	**99,632**
	Total on and off-balance sheet exposures (AIRB)	**64,132,618**	**64,132,618**	**9,864,313**	**789,144**
	Total exposures under IRB Approach	**126,139,768**	**120,130,885**	**55,983,517**	**4,478,680**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**72,166,831**	**5,773,346**
2.0	Large exposures risk requirement	-	-	-	-
3.0	Market risk	Long position	Short position		
	Interest rate risk	176,118	150,971	820,632	65,651
	Foreign currency risk	22,006	20,567	24,253	1,940
	Equity Risk			-	-
	Commodity risk			-	-
	Options risk			205,160	16,413
4.0	Operational risk (Basic Indicator Approach)			7,253,444	580,275
5.0	Total RWA and capital requirements			80,470,320	6,437,625

Capital Adequacy (Continued)

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

RM'000

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

Capital Adequacy (Continued)

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

RM'000

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

Capital Adequacy (Continued)

The aggregate breakdown of RWA under the Islamic Banking Window by exposures in each risk category as at 31 December 2023:

RM'000

Item	Exposure class 2023	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Minimum capital requirement at 8%
1.0	Credit risk						
1.1	Exempted exposures under the Standardised Approach (SA)						
	On-balance sheet exposures						
	Sovereigns/central banks	2,738,005	2,738,005	-	-	-	-
	Corporates	1,261	364	364	-	364	29
	Regulatory Retail	59	59	44	-	44	4
	Residential mortgages	73,843	73,843	25,845	-	25,845	2,067
	Other assets	13,520	13,520	13,520	-	13,520	1,082
	Defaulted exposures	5,951	5,951	5,951	-	5,951	476
	Total on-balance sheet exposures	2,832,639	2,831,742	45,724	-	45,724	3,658
	Off-balance sheet exposures						
	OTC derivatives	20,398	20,398	8,722	-	8,722	698
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-	-	-
	Total off-balance sheet exposures	20,398	20,398	8,722	-	8,722	698
	Total on and off-balance sheet exposures (SA)	**2,853,037**	**2,852,140**	**54,446**	**-**	**54,446**	**4,356**
1.2	Exposures under the FIRB Approach						
	On-balance sheet exposures						
	Banks, Development Financial Institutions and MDBs	764,100	764,100	75,874	-	75,874	6,070
	Insurance/Takaful cos, securities firms and fund managers	701,594	701,594	70,416	70,416	-	-
	Corporates	3,639,962	3,218,795	3,639,148	1,744,556	1,894,592	151,567
	Defaulted exposures	30,356	15,252	-	-	-	-
	Total on-balance sheet exposures	5,136,012	4,699,741	3,785,438	1,814,972	1,970,466	157,637
	Off-balance sheet exposures						
	OTC derivatives	14,642	14,642	3,902	-	3,902	312
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	609,698	597,334	677,365	567,682	109,683	8,775
	Total off-balance sheet exposures	624,340	611,976	681,267	567,682	113,585	9,087
	Total on and off-balance sheet exposures (FIRB)	**5,760,352**	**5,311,717**	**4,466,705**	**2,382,654**	**2,084,051**	**166,724**

Capital Adequacy (Continued)

The aggregate breakdown of RWA under the Islamic Banking Window by exposures in each risk category as at 31 December 2023 (Continued):

RM'000

Item	Exposure class 2023	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Minimum capital requirement at 8%
1.0	Credit risk (Continued)						
1.3	Exposures under the AIRB Approach						
	On-balance sheet exposures						
	Corporates	-	-	-	-	-	-
	Residential mortgages	3,566,620	3,566,620	670,296	-	670,296	53,624
	Other retail	1,293,632	1,293,632	324,267	-	324,267	25,941
	Defaulted exposures	171,351	171,351	101,393	-	101,393	8,111
	Total on-balance sheet exposures	5,031,603	5,031,603	1,095,956	-	1,095,956	87,676
	Off-balance sheet exposures						
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	337,241	337,241	55,718	-	55,718	4,457
	Defaulted Exposures	230	230	-	-	-	-
	Total off-balance sheet exposures	**337,471**	**337,471**	**55,718**	**-**	**55,718**	**4,457**
	Total on and off-balance sheet exposures (AIRB)	**5,369,074**	**5,369,074**	**1,151,674**	**-**	**1,151,674**	**92,133**
	Total exposures under IRB Approach	**11,129,426**	**10,680,791**	**5,618,379**	**2,382,654**	**3,235,725**	**258,857**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**6,009,928**	**2,525,613**	**3,484,315**	**278,745**
2.0	Large exposures risk requirement	-	-	-	-	-	-
3.0	Market risk	Long position	Short position				
	Interest rate risk	1,926	1,919	1,943	-	1,943	155
	Foreign currency risk	3,033	-	3,033	-	3,033	243
	Equity Risk			-	-	-	-
	Commodity risk			-	-	-	-
	Options risk			-	-	-	-
4.0	Operational risk (Basic Indicator Approach)			286,865	-	286,865	22,949
5.0	Total RWA and capital requirements			6,301,769	2,525,613	3,776,156	302,092

Capital Adequacy (Continued)

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

RM'000

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

Capital Adequacy (Continued)

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

RM'000

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

Capital Structure

As at 31 December 2023, the Bank had issued the following subordinated notes under the RM8 billion Medium Term Notes and/or Senior Medium Term Notes Programme:

(1) On 3 August 2020, the Bank issued RM750 million subordinated notes at 3.00% p.a. maturing on 2 August 2030;
(2) On 27 October 2022, the Bank issued RM1 billion subordinated notes at 4.91% p.a. maturing on 27 October 2032;

The subordinated notes are for working capital, general funding and corporate funding purposes.

For the main features of the subordinated notes, please refer to Note 22 in the financial statements.

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

The capital structure of the Group and the Bank:

	Group		Bank	
	31-Dec-23 RM'000	31-Dec-22 RM'000	31-Dec-23 RM'000	31-Dec-22 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	12,996,815	11,447,521	13,159,032	11,616,857
Other reserves	312,870	66,934	72,490	(173,464)
Regulatory adjustments applied in the calculation of CET1 Capital	(1,194,967)	(1,140,963)	(1,328,553)	(1,492,626)
Total CET1/Tier 1 Capital	12,907,273	11,166,047	12,695,524	10,743,322
Tier 2 Capital				
Tier 2 Capital instruments	1,750,000	2,350,000	1,750,000	2,350,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	339,176	320,555	340,901	321,073
- General provisions	169,764	164,706	160,304	155,041
Regulatory adjustments applied in the calculation of Tier 2 Capital	105,065	105,073	-	-
Total Tier 2 Capital	2,364,005	2,940,334	2,251,205	2,826,114
Total Capital	15,271,278	14,106,381	14,946,729	13,569,436

The capital adequacy ratios of the Group and the Bank:

	Group		Bank	
	31-Dec-23 RM'000	31-Dec-22 RM'000	31-Dec-23 RM'000	31-Dec-22 RM'000
CET1/Tier 1 Capital	15.945%	14.711%	15.777%	14.283%
Total Capital	18.865%	18.585%	18.574%	18.040%

Capital Structure (Continued)

The capital adequacy ratios of the Group and the Bank: (Continued)

	Group		Bank	
	31-Dec-23 RM'000	31-Dec-22 RM'000	31-Dec-23 RM'000	31-Dec-22 RM'000
CET1/Tier 1 Capital (net of proposed dividends)	14.992%	14.711%	14.818%	14.283%
Total Capital (net of proposed dividends)	17.913%	18.585%	17.616%	18.040%

The capital adequacy ratios of Islamic Banking Window are computed in accordance with BNM Capital Adequacy Framework for Islamic Banking (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets).

The capital structure of the Islamic Banking Window:

	31-Dec-23 RM'000	31-Dec-22 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital		
Capital fund	450,000	450,000
Retained profits	160,434	86,744
Other reserves	1,316	(3,318)
Regulatory adjustments applied in the calculation of CET1 Capital	(13,220)	(14,025)
Total CET1/Tier 1 Capital	598,530	519,401
Tier 2 Capital		
Financing loss provision		
- Surplus eligible provisions over expected losses	935	18,722
- General provisions	680	788
Total Tier 2 Capital	1,615	19,510
Total Capital	600,145	538,911

Capital Structure (Continued)

The capital adequacy ratios of the Islamic Banking Window:

	31-Dec-23 RM'000	31-Dec-22 RM'000
Before the effects of RSIA		
CET1/Tier 1 Capital	9.498%	9.521%
Total Capital	9.532%	10.101%
After the effects of RSIA		
CET1/Tier 1 Capital	15.850%	15.221%
Total Capital	15.893%	15.793%

In accordance with BNM's Guidelines on the Investment Account, the credit and market risk weighted assets funded by the RSIA which qualify as risk absorbent are excluded from the calculation of capital adequacy ratio. As at 31 December 2023, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM2,525,612,204 (2022: RM2,043,006,700).

Risk Management

Risk Management Overview

Managing risk is an integral part of our business strategy. Our risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of our stakeholders, while remaining nimble to seize value-creating business opportunities in a fast-changing environment. We are committed to upholding high standards of corporate governance, sound risk management principles and robust business practices to achieve sustainable, long-term growth. We continually strengthen our risk management practices in support of our strategic objectives.

Maintaning a Sound Risk Culture

A strong risk culture is vital to the long-term sustainability of the Bank's business franchise. Specifically, risk culture refers to the norms, attitudes and behaviours related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks. Our risk culture is based on our values. A strong risk culture ensures that our decisions and actions are considered and focused on our stakeholders, and that we are not distracted by short-term gains.

UOBM's Risk Culture Statement

Managing risk is integral to how we create long-term value for our customers and other stakeholders. Our risk culture is built on four principles: enforcing robust risk governance; balancing growth with stability; ensuring accountability for all the risk-based decisions and actions; and encouraging awareness, engagement and consistent behaviour in every employee.

Each of these principles is based on our distinctive set of values that guides every action we take. In entrenching our risk culture further across our franchise, we uphold the commitment to financial safety and soundness; fair outcomes and appropriate support for our stakeholders; sustainable and prudent business approach; and performance based on integrity, ethics and discipline.

Risk Management (Continued)

Maintaning a Sound Risk Culture (Continued)

UOBM's Risk Culture Statement (Continued)

Safeguarding our reputation in creating long term value for our stakeholders

Our Risk Culture Impact				
	Financial safety and soundness	Fair outcomes and appropriate support for all stakeholders	Sustainable and prudent approach to business	Performance based on integrity, ethics and discipline

Maintaining a sound risk culture across our franchise

Our Risk Culture Principles	**GOVERNANCE** Enforce robust governance of risk	**BALANCE** Balance growth with stability in taking risk	**ACCOUNTABILITY** Ensure accountability for risk	**CONSISTENCY** Encourage consistent risk-focused behaviour
Our Risk Culture Components	• Comprehensive risk management framework, policies and processes. • Well-defined risk appetite. • Pre-emptive supervision. • Independent control functions.	• Open communication and collaboration. • Regular risk reviews and continual improvements.	• Clear ownership and escalation through the Three Lines Model. • Balanced risk-reward remuneration. • Established consequences. • Individual accountability.	• Tone from above. • Leadership oversight and responsibility. • Clear articulation of principles and desired outcomes. • Frequent and regular sharing. • Ongoing training.

Demonstrating our unique set of values through consistent behaviour

Our Values				
	Honourable	Enterprising	United	Committed

Risk Management (Continued)

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

Risk Governance

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

Responsibility for risk management starts with Board oversight of the Bank's governance structure, which ensures that the Bank’s business activities are:

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

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

Our Chief Executive Officer (CEO) has established senior management committees to assist her in making business decisions with due consideration for risks and returns. The main senior management committees involved are the Executive Committee (EXCO), Management Committee (MC), Asset and Liability Committee (ALCO), In-Country Credit Committee (ICCC), Credit Management Committee (CMC), Information & Technology Committee (ITC), Operational Risk Management Committee (ORMC), Risk and Capital Committee (RCC) and Anti-Money Laundering Committee (AMLC). These committees also assist the Board committees in specific risk areas.

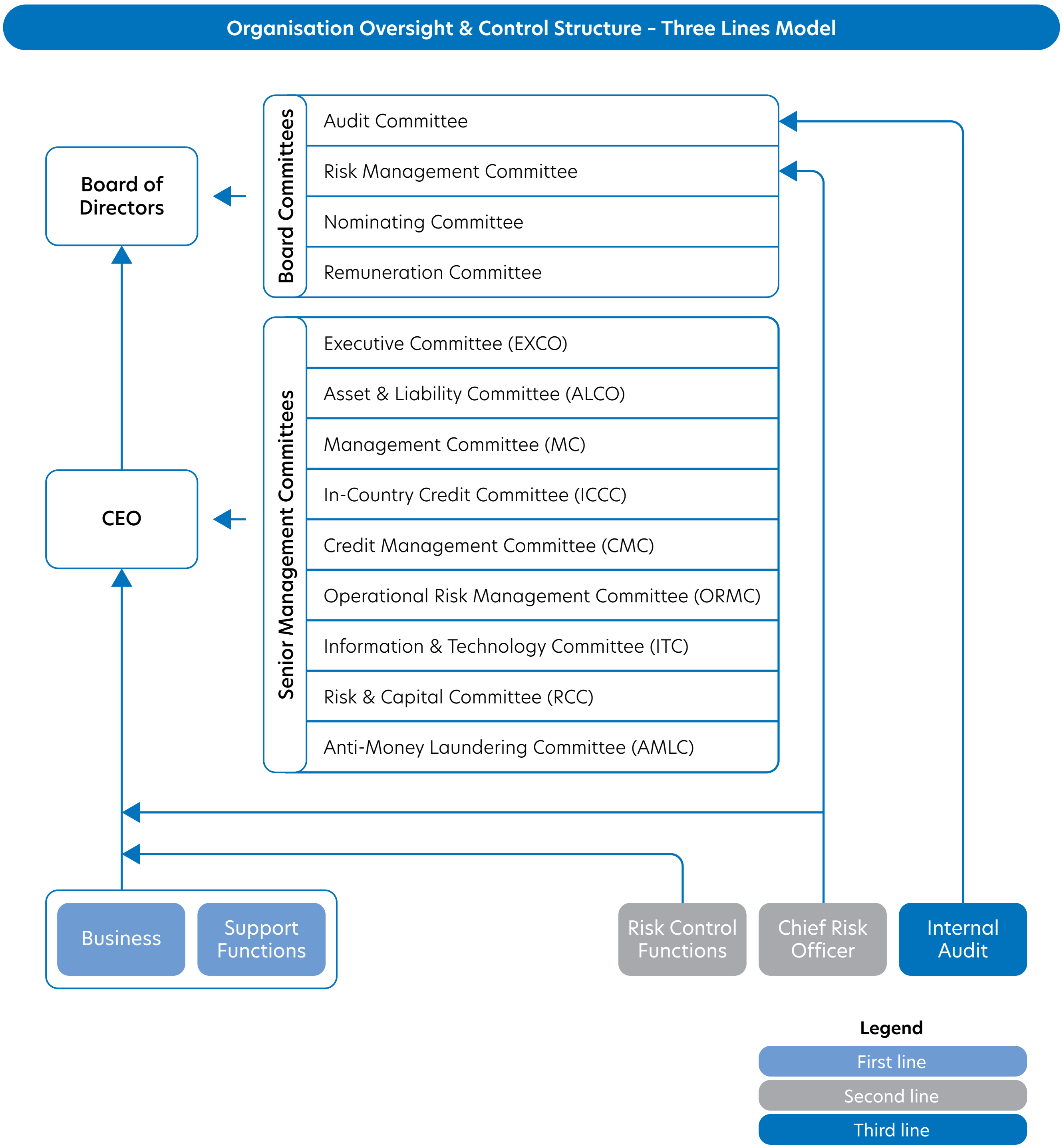
Management and the senior management committees are authorised to delegate risk appetite limits by location, business units and/or broad product lines.

Risk management is the responsibility of every employee in the Bank. We strive to instill awareness of the risks created by their actions and the accountability for the consequences of those actions in our employees. We have established frameworks to ensure appropriate oversight, accountability and management of all risk types encountered in the course of our business. The Bank adopts and adapts the parent bank's governance structure, frameworks and policies to comply with local regulatory requirements. This ensures that the approach across the regional UOB franchise is consistent and sufficiently adaptable to suit local operating environments.

Risk Management (Continued)

Risk Governance (Continued)

Our organisational control structure is based on the Three Lines Model as follows:



Risk Management

Risk Governance (Continued)

First Line - The Risk Owner

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

Second Line - Risk Oversight

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

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

Third Line - Independent Audit

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

Risk Appetite

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

- Alignment to the Bank's key business strategy;
- Relevance to the respective stakeholders, with appropriate levels of granularity;
- Practical, consistent and comprehensible metrics for communication and implementation; and
- Analytically-substantiated and measurable metrics.

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

Our risk appetite framework and risk appetite are reviewed and approved annually by the Board. Management monitors and reports the risk profiles and compliance with the Bank's risk appetite to the Board on a regular basis.

Basel Framework

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

The Bank has adopted the Foundation Internal Ratings-Based (FIRB) Approach for its non-retail exposures and the Advanced Internal Ratings-Based (AIRB) Approach for its retail exposures*. For market risk, the Bank has adopted the Standardised Approach (SA). For operational risk, the Bank has adopted the Basic Indicator Approach (BIA).

The Bank has also adopted the Internal Capital Adequacy Assessment Process (ICAAP) to assess, on an ongoing basis, the amount of capital necessary to support its activities. The ICAAP is reviewed periodically to ensure that the Bank remains well-capitalised, taking into account all material risks. Stress-testing is conducted to determine capital adequacy under stressed conditions.

Note:
i) The Shariah Committee (SC) is a committee of Shariah members appointed by the shareholder of the Bank through the Board of Directors (Board) to advise the Board and Management on Shariah related matters in order for the Bank to comply with the Shariah requirements and Shariah regulatory governance of the Islamic Banking business.
ii) *The acquired consumer banking portfolio from Citibank Bhd is reported under Standardised Approach.

Credit Risk

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

The Bank adopts a holistic approach towards assessing credit risk and ensures that managing credit risk is part of an integrated approach to enterprise risk management. Integral to the management of credit risk is a framework that clearly defines policies and processes relating to the identification, measurement and management of credit risk. The Bank continually monitors the operating environment to identify emerging risks and formulate appropriate mitigating measures.

Credit Risk Governance and Organisation

The CMC supports the CEO and RMC in managing the Bank's overall credit risk exposures and serves as an executive forum for discussions on all credit-related matters. The CMC also reviews and assesses the Bank's credit portfolios and credit risk profiles.

The Credit Risk Management under Risk Management develops bank-wide credit policies and guidelines and facilitates business development within a framework that results in prudent, consistent and efficient credit risk management. It is responsible for the analysis, management and reporting of credit risk to the CMC, RMC and Board. The comprehensive credit risk reports cover business segments at the overall portfolio level by various dimensions including industry, product and country.

Credit Risk Policies and Processes

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

Credit approval process

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

Credit concentration risk

Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. We manage such risks by setting exposure limits on borrowers, obligor groups, portfolios, industries and countries, generally expressed as a percentage of the Bank's eligible capital base.

We manage our credit risk exposures through a robust credit underwriting, structuring and monitoring process. For example, our country risk exposures are managed within an established framework that involves setting country limits. Such limits are based on the country's risk rating, economic potential measured by its gross domestic product and the Bank's business strategy. We perform regular assessments of emerging risks and in-depth reviews on industry trends to provide a forward-looking view on developments that could impact the Bank's portfolio. The Bank also conducts frequent stress-testing to assess the resilience of our portfolio in the event of a marked deterioration in operating conditions.

Credit stress test

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

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

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

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

Credit Risk (Continued)

Credit Monitoring and Remedial Management

The Bank regularly monitors credit exposures, portfolio performance and emerging risks that may impact its credit risk profile. The Board and senior management committees are updated on credit trends through internal risk reports so that the necessary mitigating measures can be implemented promptly.

Delinquency monitoring

The Bank closely monitors the delinquency of borrowing accounts, which is a key indicator of credit quality. An account is considered delinquent when payment has not been received by the payment due date. All delinquent accounts, including revolving credit facilities (such as an overdraft) with limit excesses, are closely tracked and managed through a disciplined process by officers from the business units and the risk management function. Where appropriate, such accounts are also subject to more frequent credit reviews.

Classification and loan/financing loss impairment

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

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

Upgrading and de-classification of a 'Non-Performing' account to 'Pass' or 'Special Mention' must be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. The Bank must also be satisfied that the account has exhibited a sustained trend of improvement.

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

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

The Bank provides for impairment based on local regulatory requirements including Bank Negara Malaysia (BNM) guidelines and MFRS9 for local reporting purposes. Where necessary, additional impairment is provided to comply with the Bank's impairment policy and the BNM's requirements.

Special Asset Management

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

Write-Off Policy

A non-performing account is written off when the prospect of recovery is considered poor or when all feasible avenues of recovery have been exhausted.

Credit Risk (Continued)

(i) The credit exposures of the Bank by sectors as at 31 December 2023:

Bank	Sovereigns /central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance cos, securities firms and fund managers RM'000	Corporates (including specialised lending and SMEs) RM'000	Retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposure RM'000	Equity exposures RM'000	Grand total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,362,974	19,648	-	-	-	-	-	1,382,622
Mining and quarrying	-	-	-	-	236,778	8,200	-	-	-	-	-	244,978
Manufacturing	-	-	18,901	-	10,143,690	1,334,387	-	-	-	-	9	11,496,987
Electricity, gas and water	-	-	-	-	1,784,070	43,376	-	-	-	-	-	1,827,446
Construction	-	-	-	-	12,901,882	520,802	-	-	-	-	-	13,422,684
Wholesale, retail trade, restaurants and hotels	-	-	14,601	-	9,830,343	4,595,689	-	-	-	-	-	14,440,633
Transport, storage and communication	-	-	1,654	-	7,780,939	486,607	-	-	-	-	-	8,269,200
Finance, insurance and business services	-	-	8,853,362	997,786	3,082,390	919,457	-	-	-	-	-	13,852,995
Real estate	-	-	-	-	4,458,660	1,278,901	42,237,575	2,130	-	120,052	932	48,098,250
Community, social and personal services	32,181,906	440,160	-	-	912,990	142,778	-	-	-	-	217,253	33,895,087
Households	-	-	-	-	-	25,242,830	3,344,504	240	-	-	-	28,587,574
Others	-	-	-	-	28,599	-	-	-	2,789,360	-	-	2,817,959
	32,181,906	440,160	8,888,518	997,786	52,523,315	34,592,675	45,582,079	2,370	2,789,360	120,052	218,194	178,336,415

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

Credit Risk (Continued)

The credit exposures of the Bank by sectors as at 31 December 2022:

Bank	Sovereigns /central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance cos, securities firms and fund managers RM'000	Corporates (including specialised lending and SMEs) RM'000	Retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposure RM'000	Equity exposures RM'000	Grand total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,694,119	20,393	-	-	-	-	-	1,714,512
Mining and quarrying	-	-	-	-	382,691	9,295	-	-	-	-	-	391,986
Manufacturing	-	-	32,984	-	9,276,341	1,286,016	-	-	-	-	43	10,595,384
Electricity, gas and water	-	-	-	-	1,432,484	46,064	-	-	-	-	-	1,478,548
Construction	-	-	-	-	11,365,969	484,465	-	-	-	-	-	11,850,434
Wholesale, retail trade, restaurants and hotels	-	-	23,335	-	10,416,668	4,332,428	-	-	-	-	-	14,772,431
Transport, storage and communication	-	-	828	-	6,817,933	437,705	-	-	-	-	-	7,256,466
Finance, insurance and business services	-	-	9,235,241	1,244,204	2,974,883	863,877	-	-	-	-	-	14,318,205
Real estate	-	-	-	-	4,416,611	1,236,489	42,864,434	10,958	-	120,026	881	48,649,399
Community, social and personal services	27,734,359	703,523	-	-	2,104,660	127,663	-	-	-	-	152,757	30,822,962
Households	-	-	-	-	-	25,953,180	3,351,056	-	-	-	-	29,304,236
Others	-	-	-	-	-	-	-	-	2,125,314	-	-	2,125,314
	27,734,359	703,523	9,292,388	1,244,204	50,882,359	34,797,575	46,215,490	10,958	2,125,314	120,026	153,681	173,279,877

Credit Risk (Continued)

(ii) The credit exposures under the Islamic Banking Window by sectors as at 31 December 2023:

Islamic Banking Window	Sovereigns /central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance/ Takaful cos, securities firms and fund managers RM'000	Corporates (including specialised financing and SMEs) RM'000	Retail RM'000	Residential mortgages RM'000	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	336,028	1,365	-	-	-	337,393
Mining and quarrying	-	-	-	-	22,905		-	-	-	22,905
Manufacturing	-	-	-	-	863,049	174,607	-	-	-	1,037,656
Electricity, gas and water	-	-	-	-	733,301	5,982	-	-	-	739,283
Construction	-	-	-	-	822,251	54,525	-	-	-	876,776
Wholesale, retail trade, restaurants and hotels	-	-	-	-	378,344	517,592	-	-	-	895,936
Transport, storage and communication	-	-	-	-	469,350	66,498	-	-	-	535,848
Finance, insurance and business services	-	-	770,277	707,397	321,803	157,516	-	-	-	1,956,993
Real estate	-	-	-	-	290,510	182,958	3,958,676	-	-	4,432,144
Community, social and personal services	2,738,005	14,595	-	-	52,200	35,283	-	-	-	2,840,083
Households	-	-	-	-	-	226,451	67,474	-	-	293,925
Others	-	-	-	-	-	-	-	13,520	-	13,520
	2,738,005	14,595	770,277	707,397	4,289,741	1,422,777	4,026,150	13,520	-	13,982,462

Credit Risk (Continued)

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

Islamic Banking Window	Sovereigns /central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance/ Takaful cos, securities firms and fund managers RM'000	Corporates (including specialised financing and SMEs) RM'000	Retail RM'000	Residential mortgages RM'000	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	276,974	388	-	-	-	277,362
Mining and quarrying	-	-	-	-	90,422	-	-	-	-	90,422
Manufacturing	-	-	-	-	882,637	174,030	-	-	-	1,056,667
Electricity, gas and water	-	-	-	-	558,672	6,732	-	-	-	565,404
Construction	-	-	-	-	484,221	64,136	-	-	-	548,357
Wholesale, retail trade, restaurants and hotels	-	-	-	-	219,927	506,147	-	-	-	726,074
Transport, storage and communication	-	-	-	-	495,684	70,584	-	-	-	566,268
Finance, insurance and business services	-	-	215,891	1,009,880	90,512	157,760	-	-	-	1,474,043
Real estate	-	-	-	-	212,338	202,294	3,744,911	-	-	4,159,543
Community, social and personal services	4,194,758	3,637	-	-	52,045	35,977	-	-	-	4,286,417
Households	-	-	-	-	-	224,776	58,164	-	-	282,940
Others	-	-	-	-	-	-	-	22,273	-	22,273
	4,194,758	3,637	215,891	1,009,880	3,363,432	1,442,824	3,803,075	22,273	-	14,055,770

Credit Risk (Continued)

(iii) The credit exposures of the Bank by remaining contractual maturities as at 31 December 2023:

Bank	Sovereigns /central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance cos, securities firms and fund managers RM'000	Corporates (including specialised lending and SMEs) RM'000	Retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposure RM'000	Equity exposures RM'000	Grand total RM'000
< 3 months	2,623,036	73,419	4,605,471	204,670	17,477,024	995,109	6,630	75	-	-	-	25,985,434
3 - 6 months	2,019,213	68,872	448,407	33,401	3,911,391	250,575	6,460	15	-	-	-	6,738,334
6 - 12 months	2,960,509	44,017	1,904,587	16,852	6,207,027	18,255,029	1,543,941	163	2,789,360	-	218,194	33,939,679
1 - 3 years	5,390,597	-	883,757	704,092	9,026,708	790,913	175,287	294	-	-	-	16,971,648
3 - 5 years	4,631,065	25,573	943,961	-	8,124,265	1,170,616	420,957	218	-	10,004	-	15,326,659
> 5 years	14,557,486	228,279	102,335	38,771	7,776,900	13,130,433	43,428,804	1,605	-	110,048	-	79,374,661
	32,181,906	440,160	8,888,518	997,786	52,523,315	34,592,675	45,582,079	2,370	2,789,360	120,052	218,194	178,336,415

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

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

Credit Risk (Continued)

(iv) The credit exposures under the Islamic Banking Window by remaining contractual maturities as at 31 December 2023:

Islamic Banking Window	Sovereigns /central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance/ Takaful cos, securities firms and fund managers RM'000	Corporates (including specialised financing and SMEs) RM'000	Retail RM'000	Residential mortgages RM'000	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
< 3 months	390,064	9,086	6,177	5,230	1,075,344	8,099	22	-	-	1,494,022
3 - 6 months	532,720	5,509	-	573	394,294	2,415	23	-	-	935,534
6 - 12 months	443,529	-	21,334	-	22,869	13,197	147	13,520	-	514,596
1 - 3 years	580,961	-	742,766	701,594	1,110,316	1,552	1,470	-	-	3,138,659
3 - 5 years	406,008	-	-	-	671,629	4,933	6,602	-	-	1,089,172
> 5 years	384,723	-	-	-	1,015,289	1,392,581	4,017,887	-	-	6,810,480
	2,738,005	14,595	770,277	707,397	4,289,741	1,422,777	4,026,151	13,520	-	13,982,463

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

Islamic Banking Window	Sovereigns /central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance/ Takaful cos, securities firms and fund managers RM'000	Corporates (including specialised financing and SMEs) RM'000	Retail RM'000	Residential mortgages RM'000	Other assets RM'000	Equity exposures RM'000	Grand total RM'000
< 3 months	2,579,529	3,637	-	6,516	592,696	7,803	-	-	-	3,190,181
3 - 6 months	251,078	-	-	1,137	34,478	1,115	-	-	-	287,808
6 - 12 months	-	-	-	-	22,621	157	-	-	-	22,778
1 - 3 years	1,364,151	-	215,891	1,002,227	163,453	13,754	93,366	22,273	-	2,875,115
3 - 5 years	-	-	-	-	1,559,453	4,067	394	-	-	1,563,914
> 5 years	-	-	-	-	990,731	1,415,928	3,709,315	-	-	6,115,974
	4,194,758	3,637	215,891	1,009,880	3,363,432	1,442,824	3,803,075	22,273	-	14,055,770

Credit Risk (Continued)

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

Bank	2023 Past due but not impaired RM'000	2023 Impaired loans RM'000	2022 Past due but not impaired RM'000	2022 Impaired loans RM'000
Agriculture, hunting, forestry and fishing	-	-	37,940	-
Mining and quarrying	-	568	4,198	82,966
Manufacturing	135,999	120,231	157,724	190,171
Electricity, gas and water	99,169	38	-	-
Construction	186,543	696,605	387,863	658,515
Wholesale, retail trade, restaurant and hotels	199,341	326,426	277,917	340,269
Transport, storage and communication	15,960	42,475	12,717	42,748
Finance, insurance and business services	49,221	32,998	48,995	37,790
Real estate	99,517	224,104	94,564	197,546
Community, social and personal services	9,808	6,478	9,007	8,482
Households:				
- purchase of residential properties	1,754,429	1,023,314	1,904,161	972,294
- purchase of non-residential properties	239,521	163,853	264,531	158,602
- others	392,695	194,701	390,344	143,797
	3,182,203	2,831,791	3,589,961	2,833,180

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

Islamic Banking Window	2023 Past due but not impaired RM'000	2023 Credit-impaired financing, advances and others RM'000	2022 Past due but not impaired RM'000	2022 Credit-impaired financing, advances and others RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-
Mining and quarrying	-	-	-	81,862
Manufacturing	28,958	6,659	1,552	7,814
Construction	1,113	28,788	2,708	31,598
Wholesale, retail trade, restaurant and hotels	9,188	16,842	41,077	15,759
Transport, storage and communication	3,000	5,558	2,052	3,317
Finance, insurance and business services	10,093	2,544	3,709	2,411
Real estate	-	-	-	-
Community, social and personal services	6,146	4,067	5,553	4,954
Households:				
- purchase of residential properties	246,062	142,734	207,935	99,293
- purchase of non-residential properties	6,482	6,820	4,823	4,114
- others	2,851	1,399	2,615	221
	313,893	215,411	272,024	251,343

Credit Risk (Continued)

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

Bank	2023 ECL 3 RM'000	2023 ECL 1 and ECL 2 RM'000	2022 ECL 3 RM'000	2022 ECL 1 and ECL 2 RM'000
Agriculture, hunting, forestry and fishing	-	14,842	-	53,006
Mining and quarrying	568	6,224	81,999	7,134
Manufacturing	48,481	177,598	98,153	142,160
Electricity, gas and water	38	23,282	-	51,798
Construction	136,681	272,743	130,326	252,468
Wholesale, retail trade, restaurant and hotels	165,974	471,472	150,775	355,090
Transport, storage and communication	4,695	21,468	4,943	31,382
Finance, insurance and business services	11,250	62,570	15,186	114,738
Real estate	73,416	95,491	65,065	200,908
Community, social and personal services	649	2,891	1,046	3,074
Households:				
- purchase of residential properties	201,316	253,605	209,001	204,187
- purchase of non-residential properties	37,076	13,640	27,316	9,789
- others	74,592	347,047	59,394	301,471
	754,736	1,762,873	843,204	1,727,205

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

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

Islamic Banking Window	2023 ECL 3 RM'000	2023 ECL 1 and ECL 2 RM'000	2022 ECL 3 RM'000	2022 ECL 1 and ECL 2 RM'000
Agriculture, hunting, forestry and fishing	-	498	-	139
Mining and quarrying	-	41	81,862	2
Manufacturing	1,778	16,097	4,133	1,124
Electricity, gas and water	-	4,977	-	9,988
Construction	14,917	2,658	16,324	1,554
Wholesale, retail trade, restaurant and hotels	3,066	24,080	5,937	9,915
Transport, storage and communication	620	409	-	573
Finance, insurance and business services	386	1,489	704	973
Real estate	-	2,234	-	1,940
Community, social and personal services	2	526	166	545
Households:				
- purchase of residential properties	29,631	16,888	22,786	13,498
- purchase of non-residential properties	1,670	339	772	214
- others	61	157	22	73
	52,131	70,393	132,706	40,538

Credit Risk (Continued)

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

Bank	2023 Allowances for ECL 3 made during the year RM'000	2023 Write-offs during the year RM'000	2022 Allowances for ECL 3 made during the year RM'000	2022 Write-offs during the year RM'000
Agriculture, hunting, forestry and fishing	-	-	57	60
Mining and quarrying	641	81,935	251	-
Manufacturing	13,409	49,505	9,296	5,991
Electricity, gas and water	48	-	-	-
Construction	19,709	3,917	87,526	4,775
Wholesale, retail trade, restaurant and hotels	99,712	64,780	45,251	26,681
Transport, storage and communication	1,228	265	1,569	44,845
Finance, insurance and business services	2,385	3,626	9,258	6,828
Real estate	8,404	-	9,130	-
Community, social and personal services	277	501	1,046	-
Households:				
- purchase of residential properties	133,602	58,099	115,310	64,065
- purchase of non-residential properties	20,936	7,563	14,858	11,950
- others	290,017	213,557	81,217	62,147
	590,368	483,748	374,769	227,341

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

Islamic Banking Window	2023 Allowances for ECL 3 made during the year RM'000	2023 Write-offs during the year RM'000	2022 Allowances for ECL 3 made during the year RM'000	2022 Write-offs during the year RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-
Mining and quarrying	73	81,935	112	-
Manufacturing	982	3,338	2,869	-
Electricity, gas and water	-	-	-	-
Construction	194	1,601	15,647	102
Wholesale, retail trade, restaurant and hotels	2,752	4,574	2,303	1,252
Transport, storage and communication	620	-	-	-
Finance, insurance and business services	-	-	583	-
Real estate	-	-	-	-
Community, social and personal services	2	-	166	-
Households:				
- purchase of residential properties	19,110	6,806	14,261	4,609
- purchase of non-residential properties	1,255	279	757	-
- others	61	-	22	-
	25,049	98,533	36,720	5,963

Impaired loans and impairment provision by geographical area

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

Credit Risk (Continued)

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

Bank **As at 31 December 2023**	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Exempted exposures under Standardised Approach			
Sovereigns/central banks	32,181,906	-	32,181,906
Public sector entities	440,160	-	440,160
Banks, Development Financial Institutions & MDBs	-	-	-
Insurance cos, securities firms & fund managers	44,559	-	44,559
Corporates	358,851	-	358,851
Regulatory retail	10,237,268	-	10,237,268
Residential mortgages	5,804,868	-	5,804,868
Higher risk assets	2,370	-	2,370
Other assets	2,789,360	-	2,789,360
Securitisation exposure	120,052	-	120,052
Equity exposure	217,253	-	217,253
Total exempted exposures	52,196,647	-	52,196,647
Exposures under IRB Approach			
Banks, Development Financial Institutions & MDBs	6,980,721	1,907,797	8,888,518
Insurance cos, Securities firms & fund managers	857,392	95,835	953,227
Corporates	50,745,764	1,418,700	52,164,464
Residential mortgages	36,302,618	3,474,594	39,777,212
Qualifying revolving retail exposures	6,352,514	12,541	6,365,055
Other retail exposures	16,797,168	1,193,183	17,990,351
Equity exposure	941	-	941
Total IRB Approach	118,037,118	8,102,650	126,139,768
Total credit risk exposures	170,233,765	8,102,650	178,336,415

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

Credit Risk (Continued)

Credit exposures of the Bank analysed by geography:

Bank As at 31 December 2022	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Exempted exposures under Standardised Approach			
Sovereigns/central banks	27,734,359	-	27,734,359
Public sector entities	703,523	-	703,523
Banks, Development Financial Institutions & MDBs	869	-	869
Insurance cos, securities firms & fund managers	35,962	-	35,962
Corporates	424,540	-	424,540
Regulatory retail	10,258,482	-	10,258,482
Residential mortgages	6,749,031	-	6,749,031
Higher risk assets	10,958	-	10,958
Other assets	2,125,314	-	2,125,314
Securitisation exposure	120,026	-	120,026
Equity exposure	152,757	-	152,757
Total exempted exposures	48,315,821	-	48,315,821
Exposures under IRB Approach			
Banks, Development Financial Institutions & MDBs	7,168,234	2,123,284	9,291,518
Insurance cos, Securities firms & fund managers	1,146,778	61,463	1,208,241
Corporates	48,174,468	2,283,352	50,457,820
Residential mortgages	35,822,283	3,644,177	39,466,460
Qualifying revolving retail exposures	6,696,458	12,096	6,708,554
Other retail exposures	16,633,440	1,197,098	17,830,538
Equity exposure	924	-	924
Total IRB Approach	115,642,586	9,321,470	124,964,055
Total credit risk exposures	163,958,406	9,321,470	173,279,876

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

Credit Risk (Continued)

Credit Exposures under Basel II

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

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

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

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

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	52,192	55,998	64,133

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

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

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

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

Credit Risk (Continued)

The aggregate breakdown of credit risk exposures of the Bank by risk weights under the Standardised Approach as at 31 December 2023:

RM'000

Risk weights	Bank												
	Sovereigns /central banks	Public sector entities	Banks, DFIs and MDBs	Insurance cos, securities firms and fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Securitisation exposure	Equity exposure	Total exposures after netting and CRM	Total RWA
0%	32,026,906	319,727	-	-	2,946	2,239	-	-	644,300	-	-	32,996,118	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	155,000	120,433	-	-	-	-	-	-	-	120,052	-	395,485	79,097
35%	-	-	-	-	-	-	5,149,752	-	-	-	-	5,149,752	1,802,413
50%	-	-	-	-	266	14,446	231,903	-	-	-	-	246,615	123,307
75%	-	-	-	-	-	10,184,984	185,733	-	-	-	-	10,370,717	7,778,038
90%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	44,559	347,710	25,358	237,480	-	2,145,060	-	217,253	3,017,420	3,017,421
110%	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	3,761	9,887	-	2,370	-	-	-	16,018	24,027
270%	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**32,181,906**	**440,160**	**-**	**44,559**	**354,683**	**10,236,914**	**5,804,868**	**2,370**	**2,789,360**	**120,052**	**217,253**	**52,192,125**	**12,824,303**

Credit Risk (Continued)

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

RM'000

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

Credit Risk (Continued)

Credit Exposures under Basel II (Continued)

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

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

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	2,852	5,312	5,369

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

The aggregate breakdown of credit risk exposures under Islamic Banking Window by risk weights under the Standardised Approach as at 31 December 2023:

RM'000

Risk weights	Islamic Banking Window									
	Sovereigns /central banks	Public sector entities	Banks, DFIs and MDBs	Insurance cos, securities firms and fund managers	Corporates	Regulatory Retail	Residential mortgages	Other assets	Total exposures after netting and CRM	Total RWA
0%	2,738,005	-	-	-	-	-	-	-	2,738,005	-
10%	-	-	-	-	-	-	-	-	-	-
20%	-	14,595	-	-	-	-	-	-	14,595	2,919
35%	-	-	-	-	-	-	73,843	-	73,843	25,845
50%	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	59	-	-	59	44
90%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	5,803	364	-	5,951	13,520	25,638	25,638
110%	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-
Total	**2,738,005**	**14,595**	**-**	**5,803**	**364**	**59**	**79,794**	**13,520**	**2,852,140**	**54,446**

Credit Risk (Continued)

Credit Exposures under Basel II (Continued)

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

RM'000

Risk weights	Islamic Banking Window								
	Sovereigns /central banks	Public sector entities	Banks, DFIs and MDBs	Insurance cos, securities firms and fund managers	Corporates	Residential mortgages	Other assets	Total exposures after netting and CRM	Total RWA
0%	4,194,758	-	-	-	-	-	2,166	4,196,924	-
10%	-	-	-	-	-	-	-	-	-
20%	-	3,637	-	-	-	-	-	3,637	727
35%	-	-	-	-	-	89,711	-	89,711	31,399
50%	-	-	-	-	-	186	-	186	93
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-		7,653	-	3,048	20,107	30,808	30,809
110%	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-
Total	**4,194,758**	**3,637**	**-**	**7,653**	**-**	**92,945**	**22,273**	**4,321,266**	**63,028**

Credit Risk (Continued)

Rated Exposures of the Bank by ECAI ratings as at 31 December 2023:

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
Public sector entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	440,160
Insurance cos, securities firms and fund managers		-	-	-	-	44,559
Corporates		-	-	-	-	354,683
Total		**-**	**-**	**-**	**-**	**839,402**

RM'000

Exposure class	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated
On and off-balance sheet exposures							
Sovereigns/central banks		-	16,256,911	15,904,459	-	-	20,536
Total		**-**	**16,256,911**	**15,904,459**	**-**	**-**	**20,536**

Credit Risk (Continued)

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

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and off-balance sheet exposures</u>						
Credit exposures (using corporate risk weights)						
Public sector entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	703,523
Insurance cos, securities firms and fund managers		-	-	-	-	35,962
Corporates		-	-	-	-	421,490
Total		**-**	**-**	**-**	**-**	**1,160,975**

RM'000

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

RM'000

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

Credit Risk (Continued)

Rated Exposures of the Islamic Banking Window by ECAI ratings as at 31 December 2023:

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
Public sector entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	14,595
Insurance cos, securities firms and fund managers		-	-	-	-	5,803
Corporates		-	-	-	-	364
Total		**-**	**-**	**-**	**-**	**20,762**

RM'000

Exposure class	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated
On and off-balance sheet exposures							
Sovereigns/central banks		-	853,368	1,884,637	-	-	-
Total		**-**	**853,368**	**1,884,637**	**-**	**-**	**-**

Credit Risk (Continued)

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

RM'000

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

RM'000

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

Credit Risk (Continued)

Internal Credit Rating System

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

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

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

Non-Retail Exposures

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

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

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

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

Corporate Portfolio

The Bank has developed models to rate Non-bank Financial Institution (NBFI), Large Corporate (LC) and SME portfolios. Credit risk factors used to derive a borrower's risk rating include the borrower's financial strength, quality of management, business risks, and the industry in which it operates. The borrower risk-rating process is augmented by facility risk ratings, which take into account the type and structure of the facility, availability and type of collateral and seniority of the exposure.

The Bank's internal rating grade structure for the NBFI, LC and SME models consists of 16 pass grades. The models are mapped to the rating scale by calibration that takes into account the respective portfolio's long-term average default rate.

Specialised Lending Portfolio

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

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

Bank Portfolio

Exposures in our Bank portfolio are rated by our internal Bank model, which takes into account asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The model has an internal rating grade structure consisting of 15 pass grades.

Credit Risk (Continued)

Equity Portfolio

The Bank adopts the following approaches for its equity investments:

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

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

Retail Exposures

The Bank has adopted the Advanced Internal Ratings-Based (AIRB) Approach for its retail exposures, which consist of residential mortgages, qualifying revolving retail exposures and other retail exposures. Exposures within each of these asset classes are not managed individually, but as part of a pool of similar exposures that are segmented based on borrower and transaction characteristics. As the loss characteristics of retail exposures are geography and product specific, bespoke PD, LGD and EAD segmentation models are developed using empirical loss data for the respective exposures across the Bank. Where internal loss data is insufficient to provide robust risk estimates, the segmentation models may incorporate internal and/or external proxies. Where necessary, the model is augmented with appropriate margins of conservatism.

We use the Standardised Approach (SA) to calculate the credit risk-weighted exposure for the portfolios acquired from Citibank Bhd and will migrate to the AIRB upon regulatory approval from the Bank Negara Malaysia.

Retail Probability of Default Models

Retail PD models are based on pools of homogeneous exposures segmented by a combination of application scores, behavioural scores and other risk drivers reflecting borrower, facility and delinquency characteristics. PD pools are calibrated through-the-cycle using at least five years of historical data that covers a full economic cycle. For low default portfolios, internal and/or external proxies that are highly correlated with internal defaults are used to estimate the long-run average PD. A regulatory floor of 0.03 per cent is applied to all PD pools.

In general, the long-run observed default rates are largely lower than the PD estimates due to the model's calibration philosophy and the application of conservative overlays to account for model risk.

Retail Loss Given Default Models

Retail LGD are estimated using historical default data and the recovery experience from such defaulted cases. LGD models are segmented using material pre-default risk drivers such as facility and collateral characteristics.

LGD models are calibrated to reflect a portfolio's economic downturn experience. In addition, for residential mortgages, a LGD floor of 10 per cent is applied at the segment level.

Retail Exposure at Default Models

For revolving products, EAD is computed based on the current outstanding balance and the estimated potential drawdown of undrawn commitments, which is determined based on historical data. For closed-end products, the EAD is equal to the current outstanding balance. EAD models are generally segmented by material pre-default risk drivers such as facility type, limit and utilisation. EAD models are calibrated to reflect the portfolio long-run averages, except for portfolios that exhibit positive correlation between LGD and PD values, in which case, these portfolio's EAD models are calibrated to reflect their economic downturn conditions. The EAD values of such portfolios must be at least equal to the current outstanding balances.

Credit Risk (Continued)

Credit risk profile

The following tables provide the breakdown of exposures of the Bank using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2023:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	1-9	10-16	17-20 (Default)
	RM'000	RM'000	RM'000
<u>Non-retail exposures (EAD)</u>			
Large corporate, SMEs and specialised lending (IPRE)	28,758,420	20,803,300	1,269,372
Bank	8,862,261	26,257	-
Insurance cos, securities firm and fund managers	952,960	267	-
Total non-retail exposures	**38,573,641**	**20,829,824**	**1,269,372**
<u>Undrawn commitments</u>			
Large corporate, SMEs and specialised lending (IPRE)	1,715,595	586,014	11,661
Bank	-	-	-
Insurance cos, securities firm and fund managers	-	-	-
Total undrawn commitments	**1,715,595**	**586,014**	**11,661**
<u>Exposure weighted average LGD</u>			
Large corporate, SMEs and specialised lending (IPRE)	42%	41%	44%
Bank	45%	45%	-
Insurance cos, securities firm and fund managers	44%	45%	-
<u>Exposure weighted average risk weight</u>			
Large corporate, SMEs and specialised lending (IPRE)	66%	119%	1%
Bank	12%	52%	-
Insurance cos, securities firm and fund managers	23%	235%	-

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 50%	Strong/ 70%	Good/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Specialised Lending exposures (EAD)</u>							
Project Finance	-	221,297	574,504	470,162	67,409	-	-
Risk Weighted Assets	-	154,908	402,153	423,146	77,520	-	-

Credit Risk (Continued)

Credit risk profile (Continued)

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	Default
	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)				
Residential mortgages	34,250,351	781,339	3,875,664	869,858
Qualifying revolving retail	3,741,800	691,375	1,887,023	44,857
Other retail	12,786,552	2,744,482	2,089,071	370,246
Total retail exposures	**50,778,703**	**4,217,196**	**7,851,758**	**1,284,961**
Undrawn commitments				
Residential mortgages	2,234,389	228,442	112,180	-
Qualifying revolving retail	2,247,035	272,990	863,061	-
Other retail	2,019,705	643,029	204,176	361
Total undrawn commitments	**6,501,129**	**1,144,461**	**1,179,417**	**361**
Exposure weighted average LGD				
Residential mortgages	13.00%	14.23%	13.67%	14.19%
Qualifying revolving retail	35.17%	46.75%	42.06%	51.69%
Other retail	16.18%	22.43%	25.38%	20.43%
Exposure weighted average risk weight				
Residential mortgages	7.57%	22.04%	48.01%	31.27%
Qualifying revolving retail	6.57%	20.49%	62.01%	202.92%
Other retail	12.10%	25.27%	39.66%	67.39%

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

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	1-9	10-16	17-20 (Default)
	RM'000	RM'000	RM'000
Non-retail exposures (EAD)			
Large corporate, SMEs and specialised lending (IPRE)	28,032,806	20,100,253	1,431,677
Bank	9,268,151	23,367	-
Insurance cos, securities firm and fund managers	1,208,242	-	-
Total non-retail exposures	**38,509,199**	**20,123,620**	**1,431,677**
Undrawn commitments			
Large corporate, SMEs and specialised lending (IPRE)	1,242,956	677,322	5,909
Bank	-	-	-
Insurance cos, securities firm and fund managers	-	-	-
Total undrawn commitments	**1,242,956**	**677,322**	**5,909**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	42%	41%	44%
Bank	45%	45%	-
Insurance cos, securities firm and fund managers	44%	-	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	61%	118%	0%
Bank	12%	42%	-
Insurance cos, securities firm and fund managers	19%	-	-

Credit Risk (Continued)

Credit risk profile (Continued)

Specialised Lending exposures under the Supervisory Slotting Criteria

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

Exposures under the IRB Approach by PD range

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

Credit Risk (Continued)

Credit risk profile (Continued)

The following tables provide the breakdown of exposures of the Islamic Banking Window using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2023:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	1-9	10-16	17-20 (Default)
	RM'000	RM'000	RM'000
Non-retail exposures (EAD)			
Large corporate, SMEs and specialised lending (IPRE)	1,857,039	1,841,914	30,356
Bank	770,277	-	-
Insurance/Takaful cos, securities firm and fund managers	701,594	-	-
Total non-retail exposures	**3,328,910**	**1,841,914**	**30,356**
Undrawn commitments			
Large corporate, SMEs and specialised lending (IPRE)	54,193	174,256	-
Bank	-	-	-
Insurance/Takaful cos, securities firm and fund managers	-	-	-
Total undrawn commitments	**54,193**	**174,256**	**-**
Exposure weighted average LGD			
Large corporate, SMEs and specialised lending (IPRE)	44%	37%	23%
Bank	45%	-	-
Insurance/Takaful cos, securities firm and fund managers	45%	-	-
Exposure weighted average risk weight			
Large corporate, SMEs and specialised lending (IPRE)	84%	128%	0%
Bank	10%	-	-
Insurance/Takaful cos, securities firm and fund managers	10%	-	-

Specialised Financing exposures under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 50%	Strong/ 70%	Good/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Financing exposures (EAD)							
Project Finance	-	-	514,297	44,874	-	-	-
Risk Weighted Assets	-	-	360,008	40,387	-	-	-

Credit Risk (Continued)

Credit risk profile (Continued)

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	Default
	RM'000	RM'000	RM'000	RM'000
<u>Retail exposures (EAD)</u>				
Residential mortgages	3,202,005	58,785	552,190	133,377
Other retail	657,072	523,618	203,823	38,204
Total retail exposures	**3,859,077**	**582,403**	**756,013**	**171,581**
<u>Undrawn commitments</u>				
Residential mortgages	223,979	16,852	5,529	-
Other retail	39,789	47,333	3,759	231
Total undrawn commitments	**263,768**	**64,185**	**9,288**	**231**
<u>Exposure weighted average LGD</u>				
Residential mortgages	14.65%	14.26%	15.40%	15.37%
Other retail	20.95%	25.15%	24.61%	27.36%
<u>Exposure weighted average risk weight</u>				
Residential mortgages	11.69%	22.24%	58.31%	11.36%
Other retail	17.78%	27.96%	38.12%	225.75%

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

Exposures under the IRB Approach by Risk Grade

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

Credit Risk (Continued)

Credit risk profile (Continued)

Specialised Financing exposures under the Supervisory Slotting Criteria

Supervisory Categories/ Risk Weights	Strong/ 50%	Strong/ 70%	Good/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Financing exposures (EAD)							
Project Finance	-	-	1,942	490,188	-	-	-
Risk Weighted Assets	-	-	1,359	441,169	-	-	-

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	Default
	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)				
Residential mortgages	3,052,122	102,107	464,231	91,671
Other retail	705,116	565,215	136,819	35,675
Total retail exposures	**3,757,238**	**667,322**	**601,050**	**127,346**
Undrawn commitments				
Residential mortgages	279,057	36,143	6,888	-
Other retail	52,715	56,246	2,153	-
Total undrawn commitments	**331,772**	**92,389**	**9,041**	**-**
Exposure weighted average LGD				
Residential mortgages	14.79%	14.71%	15.62%	15.48%
Other retail	21.47%	27.05%	25.91%	32.67%
Exposure weighted average risk weight				
Residential mortgages	11.49%	22.49%	55.66%	8.44%
Other retail	18.17%	29.92%	39.02%	180.07%

Credit Risk (Continued)

Retail exposures of the Bank under the IRB Approach by expected loss (EL) range as at 31 December 2023:

EL% range of retail exposures	0.0% to 1.0%	1.0% to 5.0%	5.0% to 10.0%	10.0% to 30.0%	30.0% to 100.0%
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)					
Residential mortgages	37,848,160	1,136,676	149,553	642,823	-
Qualifying revolving retail	4,528,615	1,230,127	219,666	291,664	94,983
Other retail	16,793,617	739,483	105,020	261,231	91,000
Total retail exposures	**59,170,392**	**3,106,286**	**474,239**	**1,195,718**	**185,983**
Undrawn commitments					
Residential mortgages	2,557,917	15,575	1,519	-	-
Qualifying revolving retail	2,629,250	594,488	40,463	113,344	5,541
Other retail	2,825,972	37,743	1,992	1,333	231
Total undrawn commitments	**8,013,139**	**647,806**	**43,974**	**114,677**	**5,772**
Exposure weighted average risk weight					
Residential mortgages	10.43%	71.45%	92.83%	-	-
Qualifying revolving retail	8.53%	46.30%	107.03%	117.10%	122.70%
Other retail	15.72%	59.23%	78.64%	57.00%	9.17%

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

EL% range of retail exposures	0.0% to 1.0%	1.0% to 5.0%	5.0% to 10.0%	10.0% to 30.0%	30.0% to 100.0%
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)					
Residential mortgages	37,796,612	967,982	135,366	566,500	-
Qualifying revolving retail	4,753,643	1,348,693	210,336	340,558	55,324
Other retail	16,759,243	658,264	77,328	241,337	94,366
Total retail exposures	**59,309,498**	**2,974,939**	**423,030**	**1,148,395**	**149,690**
Undrawn commitments					
Residential mortgages	2,703,358	11,085	1,902	-	-
Qualifying revolving retail	3,164,059	728,578	64,976	141,862	8,036
Other retail	2,677,184	32,696	3,897	622	1
Total undrawn commitments	**8,544,601**	**772,359**	**70,775**	**142,484**	**8,037**
Exposure weighted average risk weight					
Residential mortgages	10.23%	68.86%	92.30%	0.00%	-
Qualifying revolving retail	8.56%	44.88%	106.15%	127.00%	48.29%
Other retail	15.06%	55.00%	102.01%	54.22%	8.11%

Credit Risk (Continued)

Retail exposures of the Islamic Banking Window under the IRB Approach by expected loss (EL) range as at 31 December 2023:

EL% range of retail exposures	0.0% to 1.0%	1.0% to 5.0%	5.0% to 10.0%	10.0% to 30.0%	30.0% to 100.0%
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)					
Residential mortgages	3,622,447	141,528	61,773	120,609	-
Other retail	1,310,955	77,994	13,456	18,381	1,931
Total retail exposures	**4,933,402**	**219,522**	**75,229**	**138,990**	**1,931**
Undrawn commitments					
Residential mortgages	244,191	1,758	411	-	-
Other retail	90,515	116	250	-	231
Total undrawn commitments	**334,706**	**1,874**	**661**	**-**	**231**
Exposure weighted average risk weight					
Residential mortgages	15.38%	77.82%	92.88%	-	-
Other retail	26.01%	63.39%	137.55%	89.54%	91.37%

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

EL% range of retail exposures	0.0% to 1.0%	1.0% to 5.0%	5.0% to 10.0%	10.0% to 30.0%	30.0% to 100.0%
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)					
Residential mortgages	3,491,698	98,293	35,623	84,517	-
Other retail	1,352,788	58,066	9,293	11,984	10,694
Total retail exposures	**4,844,486**	**156,359**	**44,916**	**96,501**	**10,694**
Undrawn commitments					
Residential mortgages	319,989	1,605	494	-	-
Other retail	110,251	863	-	-	-
Total undrawn commitments	**430,240**	**2,468**	**494**	**-**	**-**
Exposure weighted average risk weight					
Residential mortgages	15.18%	78.25%	91.34%	0.00%	0.00%
Other retail	24.70%	62.81%	297.17%	113.86%	27.61%

Credit Risk (Continued)

Actual loss by asset class

Actual loss consists of impairment loss allowance and write-off posted to the Bank's income statement for the financial year ended 31 December 2023.

Comparison of actual loss and expected loss by asset class

Bank RM'000

Asset class	Actual loss (FYE 31 December 2023)	Expected loss (as at 31 December 2022)	Actual loss (FYE 31 December 2022)	Expected loss (as at 31 December 2021)
Corporate	64,692	1,264,666	125,512	1,197,492
Bank	-	2,536	-	2,845
Retail	160,351	473,794	142,121	409,712
Total	**225,043**	**1,740,995**	**267,633**	**1,610,050**

The actual loss in 2023 was lower than the expected loss computed as at 31 December 2022. The Bank continues to be proactive in its risk management approach to ensure that actual losses remain within the Bank's expectations.

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

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

i. EL as at 31 December 2022 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years.
ii. EL is estimated based on non-default exposures only, while impairment loss allowance is an accounting estimate of likely loss from defaulted exposures. Write-offs are recorded on defaulted exposures when no further recovery is possible.

Islamic Banking Window RM'000

Asset class	Actual loss (FYE 31 December 2023)	Expected loss (as at 31 December 2022)	Actual loss (FYE 31 December 2022)	Expected loss (as at 31 December 2021)
Corporate	4,693	88,957	14,729	89,998
Bank		16	-	34
Retail	13,943	43,642	15,036	33,163
Total	**18,636**	**132,614**	**29,765**	**123,195**

Credit Risk (Continued)

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

Bank 2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	553,562	1,173,643	843,204	2,570,409
Transferred to Stage 1	94,797	(63,348)	(31,449)	-
Transferred to Stage 2	(15,771)	69,922	(54,151)	-
Transferred to Stage 3	(1,079)	(27,227)	28,306	-
Net remeasurement of allowance	(82,273)	52,417	412,825	382,969
Allowances made for the financial year	154,136	292,929	149,237	596,302
Maturity/settlement/repayment	(344,993)	(93,488)	(109,631)	(548,112)
Exchange differences	(561)	207	-	(354)
Net total	(195,744)	231,412	395,137	430,805
Amounts written-off	-	-	(483,748)	(483,748)
Other movements	-	-	143	143
At 31 December	357,818	1,405,055	754,736	2,517,609

Bank 2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	312,573	1,298,483	713,309	2,324,365
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	242,991	(223,574)	(19,417)	-
Transferred to Stage 2	(8,413)	20,743	(12,330)	-
Transferred to Stage 3	(2,077)	(23,460)	25,537	-
Net remeasurement of allowance	(180,282)	73,726	249,627	143,071
Allowances made for the financial year	259,612	182,633	99,605	541,850
Maturity/settlement/repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total	141,023	(191,256)	293,212	242,979
Amounts written-off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	553,562	1,173,643	843,204	2,570,409

Credit Risk (Continued)

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

Islamic Banking Window 2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	17,786	22,752	132,706	173,244
Transferred to Stage 1	8,177	(6,835)	(1,342)	-
Transferred to Stage 2	(614)	1,983	(1,369)	-
Transferred to Stage 3	(88)	(3,873)	3,961	-
Net remeasurement of allowance	(7,045)	(6,608)	13,290	(363)
Allowances made for the financial year	10,129	46,998	7,798	64,925
Maturity/settlement/repayment	(10,689)	(1,680)	(4,380)	(16,749)
Net total	(130)	29,985	17,958	47,813
Amounts written-off	-	-	(98,533)	(98,533)
At 31 December	17,656	52,737	52,131	122,524

Islamic Banking Window 2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	16,663	38,497	108,844	164,004
Transfer from business acquisition	93	531	660	1,284
Transferred to Stage 1	24,406	(21,418)	(2,988)	-
Transferred to Stage 2	(1,064)	1,914	(850)	-
Transferred to Stage 3	(417)	(2,491)	2,908	-
Net remeasurement of allowance	(17,517)	10,284	24,621	17,388
Allowances made for the financial year	10,044	40	9,191	19,275
Maturity/settlement/repayment	(14,422)	(4,605)	(3,717)	(22,744)
Net total	1,030	(16,276)	29,165	13,919
Amounts written-off	-	-	(5,963)	(5,963)
At 31 December	17,786	22,752	132,706	173,244

Credit Risk (Continued)

Credit Risk Mitigation

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

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

When extending credit facilities to small and medium-sized enterprises (SMEs), the Bank often takes personal guarantees to secure the moral commitment from the principal shareholders and directors. For IRB Approach purposes, the Bank does not recognise personal guarantees as eligible credit risk protection. Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit. To recognise the effects of guarantees under the Foundation Internal Ratings-based (FIRB) Approach, the Bank adopts the Probability of Default (PD) substitution approach whereby the PD of an eligible guarantor of an exposure is used for calculating the capital requirement.

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

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

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following table presents the total exposures of the Bank which are covered by eligible credit risk mitigants as at 31 December 2023:

Exposure class	Exposures before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	RM'000	RM'000	RM'000	RM'000
<u>Credit risk</u>				
On-balance sheet exposures				
Sovereign/central banks	32,026,905	-	-	-
Public sector entities	319,727	319,727	-	-
Banks, DFIs and MDBs	4,822,080	-	-	-
Insurances cos, securities firms and fund managers	874,166	-	10,037	-
Corporates	40,980,139	2,217,500	1,939,821	2,793,150
Regulatory retail	23,872,312	1,782	344	-
Residential mortgages	41,966,992	-	-	-
Higher risk assets	400	-	-	-
Other assets	2,741,636	-	-	-
Specialised financing/investment	-	-	-	-
Securitisation exposure	120,052	120,052	-	-
Equity exposures	218,194	-	-	-
Defaulted exposures*	2,123,346	8,771	7,638	44,702
Total on-balance sheet exposures	**150,065,949**	**2,667,832**	**1,957,840**	**2,837,852**
Off-balance sheet exposures				
OTC derivatives	3,488,898	2,416	1,959	728
Credit derivatives	601	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	24,124,007	152,280	3,847,552	268,896
Defaulted exposures*	22,186	26	899	1,607
Total off-balance sheet exposures	**27,635,692**	**154,722**	**3,850,410**	**271,231**
Total on and off-balance sheet exposures	**177,701,641**	**2,822,554**	**5,808,250**	**3,109,083**

*Defaulted exposure is net off specific provision.

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

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

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

*Defaulted exposure is net off specific provision.

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

The following table presents the total exposures of the Islamic Banking Window which are covered by eligible credit risk mitigants as at 31 December 2023:

Exposure class	Exposures before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	RM'000	RM'000	RM'000	RM'000
Credit risk				
On-balance sheet exposures				
Sovereign/central banks	2,738,005	-	-	-
Banks, DFIs and MDBs	764,100	-	-	-
Insurances/Takaful cos, securities firms and fund managers	701,594	-	-	-
Corporates	3,641,222	54,861	316,173	105,891
Regulatory retail	1,293,691	-	-	-
Residential mortgages	3,640,463	-	-	-
Other assets	13,520	-	-	-
Specialised financing/investment	-	-	-	-
Defaulted exposures*	162,733	-	7,405	-
Total on-balance sheet exposures	**12,955,328**	**54,861**	**323,578**	**105,891**
Off-balance sheet exposures				
OTC derivatives	35,040	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	946,939	7,979	12,262	102
Defaulted exposures*	230	-	-	-
Total off-balance sheet exposures	**982,209**	**7,979**	**12,262**	**102**
Total on and off-balance sheet exposures	**13,937,537**	**62,840**	**335,840**	**105,993**

*Defaulted exposure is net off specific provision.

Credit Risk (Continued)

Credit Risk Mitigation (Continued)

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

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

*Defaulted exposure is net off specific provision.

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 value and an appropriate add-on factor for potential future exposure (PFE). The PFE factor is an estimate of the maximum credit exposure over the remaining life of a foreign exchange (FX)/derivative transaction and it is used for limit-setting and internal risk management.

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

Credit Exposures from Foreign Exchange and Derivatives

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

Credit Risk (Continued)

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

Credit Exposures from Foreign Exchange and Derivatives (Continued)

The Off-Balance Sheet Exposures and their related counterparty credit risk of the Bank as at 31 December 2023:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	4,447,896		4,333,183	2,819,021
Transaction related contingent items	7,254,064		3,607,797	2,068,013
Short Term Self Liquidating trade related contingencies	647,859		136,698	80,596
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions.	2,966,026		49,557	2,894
Foreign exchange related contracts				
One year or less	88,836,700	761,067	1,936,509	279,242
Over one year to five years	1,269,706	19,087	109,026	73,156
Over five years	133,133	1,382	15,108	14,072
Interest/Profit rate related contracts				
One year or less	26,089,235	161,474	360,615	54,090
Over one year to five years	46,447,817	369,202	1,698,207	465,553
Over five years	1,831,500	31,404	179,315	83,115
Equity related contracts				
One year or less	68,614	427	2,207	155
Over one year to five years	14,444	553	1,708	171
Over five years	-	-	-	-
Precious Metal Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Commodity contracts				
One year or less	388,564	10,753	40,004	10,343
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	6,010	-	601	81
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7,212,540		5,006,152	3,065,065
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	25,221,133		1,207,655	298,461
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	17,224,755		4,931,186	680,341
Unutilised credit card lines	20,212,979		4,037,834	3,034,968
Off-balance sheet for securitisation exposures	-		-	-
Total	250,272,975	1,355,349	27,653,362	13,029,337

Credit Risk (Continued)

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

Credit Exposures from Foreign Exchange and Derivatives (Continued)

The Off-Balance Sheet Exposures and their related counterparty credit risk of the Bank as at 31 December 2022:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	4,444,105		4,325,833	2,603,485
Transaction related contingent items	6,494,369		3,223,817	2,157,317
Short Term Self Liquidating trade related contingencies	494,007		94,954	50,785
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions.	5,919,105		398,295	1,582
Foreign exchange related contracts				
One year or less	79,993,510	885,840	1,982,711	292,423
Over one year to five years	993,533	14,477	79,272	46,275
Over five years	141,067	-	14,768	17,401
Interest/Profit rate related contracts				
One year or less	30,970,334	235,579	465,608	71,312
Over one year to five years	36,907,880	442,306	1,524,240	422,064
Over five years	1,487,906	31,293	158,040	78,114
Equity related contracts				
One year or less	21,343	19	-	-
Over one year to five years	1,000	-	-	-
Over five years	-	-	-	-
Precious Metal Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Commodity contracts				
One year or less	266,506	13,998	28,373	12,325
Over one year to five years	5,169	22	-	-
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7,161,591		4,809,176	2,685,427
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	22,427,479		1,197,119	319,627
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	16,652,405		5,703,623	810,603
Unutilised credit card lines	18,167,501		3,633,500	2,730,559
Off-balance sheet for securitisation exposures	-		-	-
Total	232,548,810	1,623,534	27,639,329	12,299,299

Credit Risk (Continued)

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

Credit Exposures from Foreign Exchange and Derivatives (Continued)

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window as at 31 December 2023:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	152,922		152,922	154,006
Transaction related contingent items	220,324		110,162	116,737
Short Term Self Liquidating trade related contingencies	4,321		864	747
Foreign exchange related contracts with an original maturity up to one year				
One year or less	3,996,649	33,254	31,594	11,778
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	200,000	666	100	23
Over one year to five years	600,000	346	3,346	823
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	925,188		669,076	456,951
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	758,313		14,145	4,642
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,143,674		-	-
Total	8,001,391	34,266	982,209	745,707

Credit Risk (Continued)

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

Credit Exposures from Foreign Exchange and Derivatives (Continued)

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window as at 31 December 2022:

RM'000

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
Direct credit substitutes	137,779		137,779	261,648
Transaction related contingent items	201,412		101,196	163,942
Short Term Self Liquidating trade related contingencies	3,150		2,052	486
Foreign exchange related contracts with an original maturity up to one year				
One year or less	834,445	33,716	12,836	9,746
Over one year to five years	4,757	45	283	198
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	376,500	-	941	659
Over one year to five years	100,000	6,942	1,000	263
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	897,965		635,262	280,510
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	315,820		12,099	4,232
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,098,770		-	-
Total	3,970,598	40,703	903,448	721,684

Securitisation Exposure

All securitisation transactions entered into the Bank are subject to independent risk assessment and approval. The special purpose entities involved in these transactions are established and managed by third parties and are not controlled by the Bank. Our securitisation positions are recognised as financial assets.

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

Securitisation Exposure (Continued)

The table below represents the disclosure on securitisation exposure of the Bank under Standardised Approach (SA) as at 31 December 2023:

RM'000

Exposure class 2023	Exposure Value of Positions Purchased or Retained	Eligible CRM	Exposure after CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights						Risk Weighted Assets
					Rated Securitisation Exposures				Unrated (Look Through)		
					20%	50%	100%	1250%	Average Risk Weight	Exposure Amount	
Traditional Securitisation (Banking book) Non-Originating Banking Institution											
On-Balance Sheet Most Senior	120,000	120,052	120,052	-	120,052	-	-	-	-	-	24,010
Total Exposures	120,000	120,052	120,052	-	120,052	-	-	-	-	-	24,010

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

RM'000

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

Market Risk

Market risk refers to the risk of losses to the Bank from movements in the market rates or prices (such as changes in interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads) of the underlying asset.

Market risk is governed by the ALCO, which meets monthly to review and provide direction on market risk matters. The Market Risk Management (MRM) and Balance Sheet Risk Management (BSRM) under Risk Management support the ALCO, RCC, RMC and Board with independent assessment of the market risk profile of the Bank.

Market Risk (Continued)

The Bank's market risk framework comprises market risk policies, practices governance structure with appropriate delegation of authority and market risk limits. The Bank employs valuation methodologies that are in line with sound market practices. Valuation and risk models are validated independently. In addition, a Product/Service Programme process is in place to ensure that all risk issues, including market risk issues, are identified and adequately addressed prior to the launch of products and services.

One of the Bank's main objectives in undertaking trading activities is to provide customer-centric products and services to support our customers' business and hedging needs. We continually review and enhance our management of derivatives risks to ensure that the complexities of the Bank's business are appropriately controlled.

Our overall market risk appetite is balanced with targeted revenue at the Bank and business unit levels and takes into account the capital position of the Bank. Market Risk appetite is established for all trading exposures and non-trading FX exposures within the Bank. This ensures that the Bank remains well-capitalised even under stress conditions. The risk appetite is translated into risk limits that are delegated to business units. These risk limits are set based on expected returns that are commensurate with the risks taken.

The Bank currently adopts the Standardised Approach for the calculation of regulatory market risk capital but uses internal models to measure and control trading market risks. The financial products which are warehoused, measured and controlled using internal models include FX and FX option, plain vanilla interest rate contract and interest rate option, cross currency swap, government bond, quasi government bond, corporate bond, equities and equity options, commodity contract and commodity option.

The Bank estimates a daily Expected Shortfall (ES) within a 97.5 percent confidence interval over a one-day holding period, using the historical Value-at-Risk (VaR) simulation method, as a control for market risk. This method assumes observed historical market movements can be used to imply possible changes in market rates. ES is the average of the worse losses in the loss distribution, assuming that the losses exceed the specified percentile.

To complement the ES measure, stress and scenario tests are performed to identify the Bank's vulnerability to event risk. These tests serve to provide early warnings of plausible extreme losses to facilitate proactive management of market risks.

For backtesting purposes, the Bank uses daily VaR within a 99 percent confidence interval over a one-day holding period, based on historical simulation method. VaR uses the same loss distribution as ES. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtesting exceptions are tabled to the ALCO with recommended actions and resolutions. Backtesting results were within acceptable tolerance level in the year under review.

The Bank's daily ES as at end of December 2023 was RM5.610 million.

	Year End RM'000	High RM'000	Low RM'000	Average RM'000
2023				
Interest rate	2,623	5,910	1,630	3,163
Foreign exchange	67	3,050	25	572
Commodities	11	325	11	63
Option Volatility	816	844	110	297
Equities	27	323	12	57
Total diversified ES	5,610	10,729	5,447	7,546
2022				
Interest rate	4,327	5,391	1,364	2,454
Foreign exchange	206	13,232	91	502
Commodities	100	520	3	62
Option Volatility	319	356	1	180
Equities	24	151	4	18
Total diversified ES	9,577	10,452	3,464	5,976

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

Interest rate risk/rate of return risk in the banking book (IRRBB/RORRBB) is defined as the risk of potential loss of capital or reduction in earnings due to changes in the interest/profit rate environment.

We strive to meet customers' demands and preferences for products with various interest/profit rate structures and maturities. Mismatches in repricing and other characteristics of assets and liabilities of the Bank give rise to sensitivity to interest/profit rate movements. As interest/profit rates and yield curves change over time, these mismatches may result in a change in the Bank's economic net worth and/or a decline in earnings. The primary objective of managing IRRBB/RORRBB is to protect and to enhance capital or economic net worth through adequate, stable and reliable growth in net interest/finance earnings under a broad range of possible economic conditions.

The ALCO oversees the effectiveness of the interest/profit rate risk management structure including endorsement of policies, limits and controls. Balance Sheet Risk Management under Risk Management supports the ALCO in monitoring the interest/profit rate risk profile of the banking book. IRRBB/RORRBB is mainly managed by shaping the desired risk exposure and tenor profile of the banking book taking into consideration the overall balance sheet position and market outlook. Behavioural models used are independently validated and governed by approved policies. The management and mitigation of IRRBB/RORRBB through hedging instruments and activities are governed by the IRRBB/RORRBB policies which are subject to regular review. Potential risks are controlled with the help of alerts provided by the monitoring of positions against mandates, limits and triggers approved by relevant committees and delegated to relevant business units.

Our banking book interest/profit rate exposure is quantified on a monthly basis using dynamic simulation techniques. We employ a holistic approach towards balance sheet risk management, using an in-house enterprise risk management system to integrate liquidity risk and IRRBB/RORRBB into a single platform to facilitate the Bank's reporting in a timely manner. Interest/profit rate risk varies with different repricing periods, currencies, embedded options and interest/profit rate basis. Embedded options may be in the form of loan prepayment and early withdrawal of time deposit.

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

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

The risks arising from the trading book, such as interest/profit rates, foreign exchange rates and equity prices are managed and controlled under the market risk framework.

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

Interest/Profit Rate Sensitivity Analysis - Banking Book

The table below shows the results of 100 and 200 basis points parallel interest/profit rate shocks to EVE and NII/NFI. The repricing profile of loans is generally based on the earliest possible repricing dates. Interest/profit rate flooring effects are taken into consideration. Loan prepayment and time deposit early withdrawal rates are estimated based on past statistics and trends where possible and material. The average repricing maturity of core non-maturity deposits is determined through empirical models.

Economic Value of Equity (EVE)

	Increase/ (Decrease) in basis points	Sensitivity of EVE	Increase/ (Decrease) in basis points	Sensitivity of EVE
31 December 2023		**RM'000**		**RM'000**
Currency				
Total	**+200/(200)**	**(1,257,807)/1,667,502**	**+100/(100)**	**(673,496)/ 775,402**
MYR	+200/(200)	(1,356,668)/1,772,862	+100/(100)	(723,714)/827,245
USD	+200/(200)	98,861/(105,360)	+100/(100)	50,218/(51,843)
31 December 2022				
Currency				
Total	**+200/(200)**	**(944,014)/1,314,991**	**+100/(100)**	**(511,752)/603,927**
MYR	+200/(200)	(1,021,009)/1,396,566	+100/(100)	(550,806)/644,125
USD	+200/(200)	76,995/(81,575)	+100/(100)	39,054/(40,198)

Net Interest/Profit Income (NII/NPI)

	Increase/ (Decrease) in basis points	Sensitivity of EVE	Increase/ (Decrease) in basis points	Sensitivity of EVE
31 December 2023		**RM'000**		**RM'000**
Currency				
Total	**+200/(200)**	**273,371/(390,942)**	**+100/(100)**	**136,699/(166,651)**
MYR	+200/(200)	343,873/(461,440)	+100/(100)	171,948/(201,900)
USD	+200/(200)	(70,502)/70,498	+100/(100)	(35,249)/35,249
31 December 2022				
Currency				
Total	**+200/(200)**	**303,515/(435,057)**	**+100/(100)**	**151,757/(193,502)**
MYR	+200/(200)	335,068/(465,669)	+100/(100)	167,533/(209,259)
USD	+200/(200)	(31,553)/30,612	+100/(100)	(15,776)/15,757

Liquidity Risk

Liquidity risk is the risk that arises from the Bank's inability to meet its obligations, or to fund increases in assets as they fall due. The Bank maintains sufficient liquidity to fund its day-to-day operations, to meet deposit withdrawals and loan/financing disbursements, to participate in new investments, and to repay borrowings. Hence, liquidity is managed in a manner to address known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approved by the Board. These policies, controls and limits enable the Bank to monitor and manage liquidity risk to ensure that sufficient sources of funds are available over a range of market conditions. This is done by minimising excessive funding concentrations by diversifying the sources and terms of funding and maintaining a portfolio of high quality and marketable debt securities.

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

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

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

The Bank's liquidity ratios, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), are above the regulatory requirement.

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

The policy of the Bank is to be self-sufficient in its funding capabilities, notwithstanding that it has the support of parent bank in Singapore.

The table in Note 42 to the financial statements provides the maturity mismatch analysis of the Bank's near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Bank's activities.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes banking operations risk, technology risk, fraud risk (including bribery & corruption risk), legal risk, regulatory compliance risk (including Shariah non-compliance risk), reputational risk, outsourcing risk, third party non-outsourcing risk and conduct risk.

The Bank's primary objective is to foster a sound reputation and operating environment. Operational risk is managed through a framework of policies and procedures to help business and support units properly identify, assess, monitor, mitigate and report their risks. The ORMC meets monthly to provide oversight of operational risk matters across the Bank.

The Operational Risk Governance structure adopts the Three Lines Model. The business and support units, as the First Line, are responsible for establishing a robust control environment as part of their day-to-day operations. Each business and support unit is responsible for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities.

The Operational Risk Management (ORM) under Risk Management, as part of the Second Line, provides overarching governance of operational risk through relevant frameworks, policies, programmes and systems. It also monitors operational risk incidents, key risk and control self-assessment results, outsourcing and third party non-outsourcing matters, key operational risk indicator breaches, product and service programme matters and operational risks self-identified by the First Line. Any material risks are then reported to the ORMC and the Board to ensure they are promptly escalated and addressed.

Operational Risk (Continued)

Internal Audit, as the Third Line, provides an independent and objective assessment on the overall effectiveness of the risk governance framework and internal controls through periodic audit reviews.

The Bank has an established business continuity and crisis management programme which ensures prompt recovery of critical business and support units should there be unforeseen events or business disruptions. An annual attestation is provided to the Board on the state of business continuity readiness of the Bank.

Our Insurance programme covers crime and civil liability, cyber liability, property damage, terrorism, public liability, as well as directors' and officers' liability. The programme reduces operational losses through adequate insurance coverage.

The Bank adopts the Basic Indicator Approach for the calculation of operational risk capital.

The subject-specific key risks that we focus on include but not limited to the risks discussed below.

Banking Operations Risk

Any potential adverse impact, arising from inadequate or failed internal processes, people and systems or from external events, on the proper fulfillment of the Bank's services and obligations to customers as well as proper recording of information including financial transactions.

Technology Risk

Technology risk is defined as any potential adverse outcome, damage, loss, violation, failure or disruption arising from the use of or reliance on information and communication technologies. The governance of technology risk rests with the ORMC, which facilitates a holistic oversight of operational risk matters across the Group. Our Technology Risk Management Framework ensures that technology and cyber risks are managed in a systematic and consistent manner. The scope of technology risk management covers many aspects, including technology asset management, technology resiliency and the service continuity aspects of business continuity management, cybersecurity management and information security management.

A dedicated Technology Risk Management (TRM) function within ORM, as part of the Second Line, drives the governance and oversight for technology risk management across the Bank. TRM works closely with business and support units, including the technology and information security teams, to oversee, to review and to strengthen their practices in technology risk management. We adopt a risk-based approach in assessing and managing technology and cyber risks. The ORMC, RMC and Board are briefed regularly on technology risk appetite and technology risk matters.

Regulatory Compliance Risk (including Shariah non-compliance risk)

Regulatory compliance risk refers to the risk of financial loss, damage to reputation or franchise value of the Bank when it fails to comply with laws, regulations, rules, standards or industry codes of conduct applicable to the Bank's business activities and operations. A change in laws and regulations can also increase the cost of operations and the cost of capital for the Bank, thereby impacting the Bank's earnings or returns. This risk is identified, monitored and managed through a structured governance framework of compliance policies, procedures and guidelines. The framework also manages the risk of regulatory breaches relating to sanctions, anti-money laundering and countering the financing of terrorism. Regulatory Compliance Risk includes Shariah non-compliance risk and it is the risk that arises from the Bank’s failure to comply with the Shariah rules and principles determined by the Shariah Committee of the Bank or Shariah Advisory Council of Bank Negara Malaysia.

Legal Risk

Legal risk arises from unenforceable, unfavourable, defective or unintended contracts or transactions, lawsuits or claims, developments in laws and regulations, or non-compliance with applicable laws and regulations. Business and support units work with both internal and external legal counsels to ensure that legal risks are effectively managed.

Reputational Risk

Reputational risk is the risk of adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion of the Bank's business practices, activities and financial condition. The Bank recognises the impact of reputational risk and has established a policy which sets the guiding principles for risk identification, monitoring, reporting and mitigation of risk exposure and communication with our stakeholders. There are also policies relating to media communication and social media to protect the Bank's reputation.

Operational Risk (Continued)

Outsourcing Risk

Outsourcing risk is the risk of adverse financial, operational, reputational, legal and compliance impact arising from the failure of a service provider to provide the outsourced service, or to comply with legal and regulatory requirements or breaches of security by a service provider. The Bank manages this risk through an outsourcing framework, policy, procedures and guidelines.

Third Party Non-Outsourcing Risk

Third party non-outsourcing risk arises from arrangements where a third party provides a product or service to the Bank or our customers. This risk could result in adverse financial, operational, reputational, legal and compliance impact arising from the failure of a third party to provide the product or service, or the third party's breaches of security including data leakages. The Bank manages this risk through its Third Party Non-Outsourcing Risk Management Policy and Guidelines.

Fraud Risk (including bribery & corruption risk)

Fraud is defined as any intentional act or attempt to misrepresent, deceive, or conceal, by an individual or by a group for a personal or business gain, or to avoid a disadvantage. Fraud is not restricted to monetary or material benefits.

The Bank manages fraud risks actively. The governance oversight of fraud risk is provided by the Audit Committee (AC) and the RMC at the Board level and primarily by the ORMC at the senior management level. The Integrated Fraud Management (IFM) under Risk Management, as part of the Second Line, drives the strategy and governance and oversees the framework and policy of fraud risk management across the Bank.

The Bank's fraud hotline managed by IFM provides a safe channel to report suspected frauds. IFM conducts independent fraud investigations and works closely with business and support units to strengthen its practices across the six pillars of prevention, detection, response, resolution, remediation and reporting.

Also, the Bank adopts a zero tolerance policy against any form of bribery and corruption, and all other illegal or unethical dealings. All employees are required to comply fully with laws and regulations governing bribery and corruption which include the Malaysian Anti-Corruption Commission Act 2009 (MACC Act) and the UK Bribery Act 2010 amongst others. The Bank's contracts with customers, service providers, agents and business associates contain provisions prohibiting bribery and corruption practices. Procedures and controls are put in place to identify and manage the risks of bribery and corruption across our business. All employees are also educated via the UOB Code of Conduct and mandatory online training on what would constitute corrupt practices as well as related legal and regulatory requirements on bribery and corruption.

Conduct risk

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

Environmental, Social and Governance Risk

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

ESG Risk (Continued)

Responsible Financing Policy

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

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

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

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

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

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

Our Responsible Financing Policy prohibits our financing of companies:

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

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

Equator Principles

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

ESG Risk (Continued)

Equator Principles (Continued)

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

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

Monitoring

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

Training and Capacity Building

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

Climate Risks

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

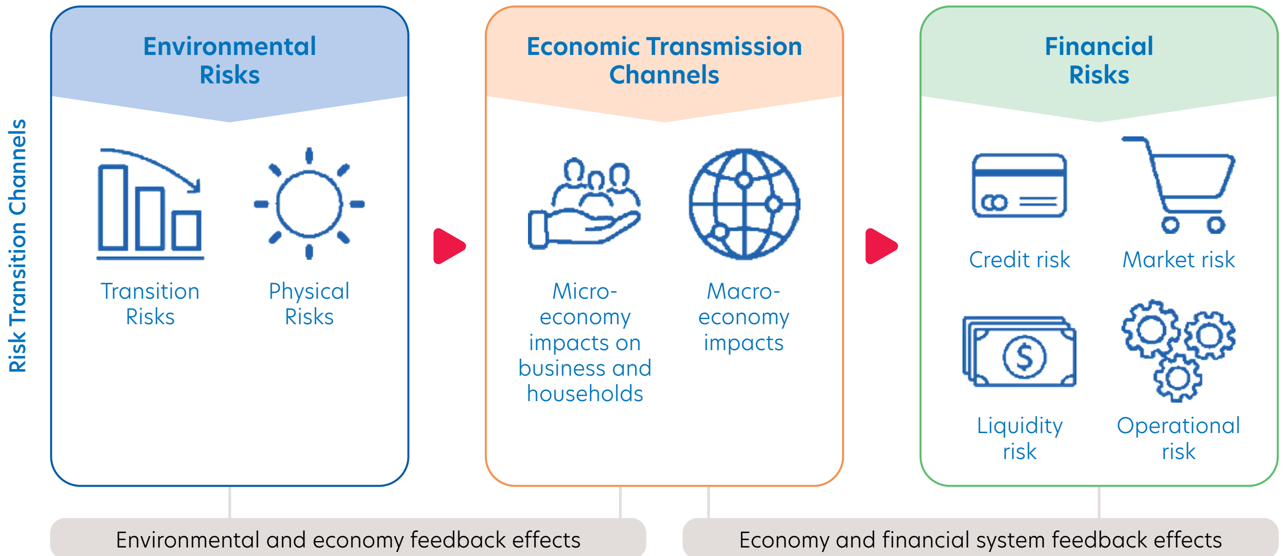
Environmental Risk Management Framework

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

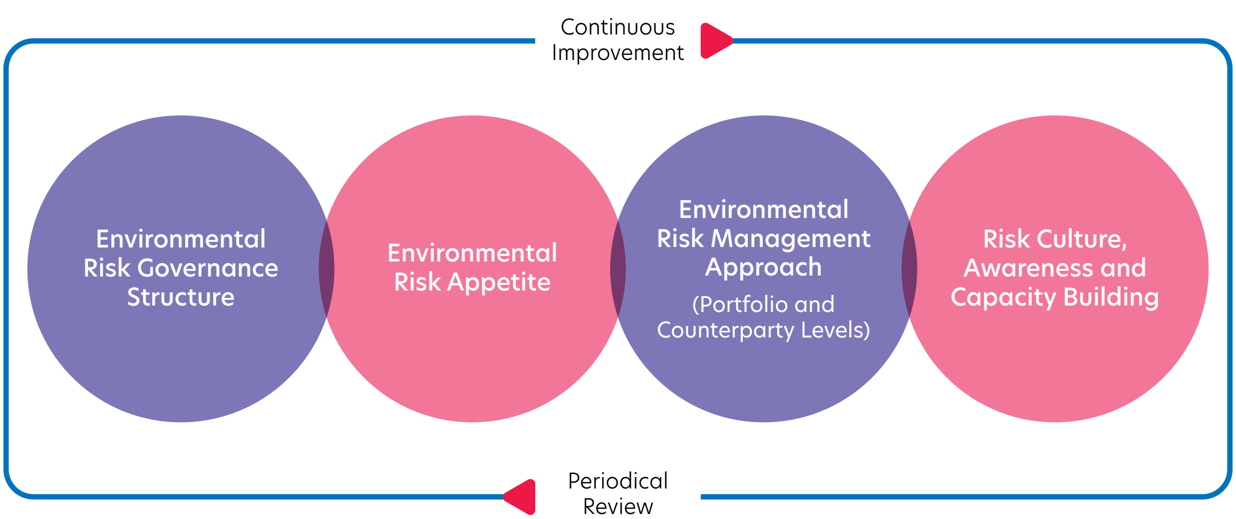
The framework is also align with the principles set out in the BNM Climate Risk Management and Scenario Analysis policy.

ESG Risk (Continued)

Environmental Risk Management Framework (Continued)



Key Aspects of UOBM Environmental Risk Management Framework



ESG Risk (Continued)

Environmental Risk Management Framework (Continued)

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

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

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

The RCC, MC and CMC support the EXCO in the review of sustainability related matters, frameworks, policies, risk appetite statement, stress tests and scenario analysis for the management of climate risk. The Country Sustainability Committee (CSC) identifies and review environmental related risks and opportunities that have the potential to affect or influence the Bank's operations.

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

Climate Risk Management

Climate risks are complex and transverse in nature, and may potentially translate into known financial risk types for banks including credit risk, market risk, liquidity risk and operational risk.

Climate risk is identified, assessed, managed and monitored through our Environmental Risk Management Framework, which is approved by the Board. UOBM Business Continuity Management (BCM) Policy and Guidelines further integrate BCM into day-to-day operations and risk management, including coverage of climate-related risks.

Equities (Disclosures for Banking Book position)

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

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

RM'000

Type of Equities	Bank			
	31 December 2023		31 December 2022	
	Exposures	RWA	Exposures	RWA
Publicly traded equity exposures *mainly acquired via loan restructuring activities	941	2,823	924	2,773
All other equity exposures *unquoted shares which are non-traded in the stock exchange	217,253	217,253	152,757	152,757
Total	218,194	220,076	153,681	155,530

	Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Realised (loss)/gains arising from sales and liquidation	-	250
Unrealised gains included in fair value reserve	206,113	141,600

As at 31 December 2023 and 31 December 2022, there were no equity exposure under Islamic Banking Window.

Restricted Specific Investment Account and Shariah Governance

Restricted Specific Investment Account (RSIA)

United Overseas Bank (Malaysia) Bhd's Islamic Banking Window did not have any RSIA arrangement with third party as at 31 December 2023.

Shariah Governance

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

No actual Shariah non-compliance event had been detected for the financial year ended 31 December 2023. As such, no Shariah non-compliant income had been recorded for the year.

United Overseas Bank (Malaysia) Bhd and its subsidiaries

31 December 2023

Financial Report

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of United Overseas Bank (Malaysia) Bhd (UOB Malaysia or the Bank) and its subsidiaries (the Group) for the financial year ended 31 December 2023.

Principal Activities

The principal activities of the Bank are banking and related financial services, including Islamic Banking. The principal activities and other information of the subsidiaries and the associate are set out in Notes 13 and 14 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	1,901,017	1,891,838
Income tax expense	(351,723)	(349,663)
Profit for the year	1,549,294	1,542,175

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

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

Dividends

At the forthcoming Annual General Meeting, a final single-tier dividend of 164.1 sen in respect of the financial year ended 31 December 2023 on 470,000,000 issued and fully paid ordinary shares, amounting to dividend payable of RM771,270,000, 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 2024.

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

Arthur Chin Shoon Chong (appointed on 10 April 2023)
Ching Yew Chye
Dato' Jeffrey Ng Tiong Lip (retired on 15 June 2023)
Datuk Phang Ah Tong (resigned on 15 February 2023)
Fatimah Binti Merican (retired on 2 November 2023)
Ng Wei Wei
Tunku Alina Raja Muhd Alias (appointed on 1 September 2023)
Wee Ee Cheong

Subsidiaries of the Bank

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

Directors' Benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 32 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Benefits (Continued)

The remuneration in aggregate for Directors of the Bank and its subsidiary companies for the financial year are as follows:

	Group and Bank RM'000
Directors' fees	861
Directors' salary, bonus and other emoluments	4,108

Details of Directors' remuneration are set out in Note 32 to 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 RM498,173,400 and RM410,699 respectively.

Share-Based Compensation Plans

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

As approved by shareholders of UOBL at the Annual General Meeting on 21 April 2016, the UOB RS Plan shall be in force up to (and including) 6 August 2027. The UOB RS Plan only allows the delivery of UOBL ordinary shares held as treasury shares by UOBL.

In 2018, following a review of the total compensation model, the Remuneration and Human Capital Committee (RHCC) approved, inter alia, a revised variable pay deferral framework for senior employees and Material Risk Takers. Under this framework, a portion of variable pay is deferred as RS under the UOB RS Plan. Such deferred RS vest over a minimum three-year period, subject to local regulatory requirements, and the fair value of the RS were estimated at grant date using the Trinomial valuation methodology. Following the approval from the RHCC in 2020, the fair value of RS awarded from 2021 are computed using market value instead and with it, dividends on unvested RS awards are accrued to participating employees at the same rate as those declared on ordinary shares.

Participating employees who leave the UOBL Group before the RS is vested will forfeit their rights unless otherwise decided by the RHCC.

At the Annual General Meeting on 21 April 2022, the UOB RS Plan was approved by shareholders to be renamed the UOB Share Plan and to allow for eligible non-executive directors to be granted share awards in the form of UOB ordinary shares under the UOB Share Plan.

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				
		1.1.2023	Acquired	Disposed	Forfeited	31.12.2023
Ultimate holding company: UOBL						
Wee Ee Cheong	- Direct	3,181,455	100,000	-	-	3,281,455
	- Indirect	173,701,487	-	-	-	173,701,487
Ng Wei Wei	- Indirect	2,280	6,992	-	-	9,272
Ching Yew Chye	- Direct	23,536	15,000	-	-	38,536

Directors' Interests (Continued)

		Number of options over ordinary shares under UOB Share Plan				
		1.1.2023	Granted	Vested	Forfeited	31.12.2023
Ultimate holding company: UOBL						
Ng Wei Wei	- Direct	17,770	10,175	(6,992)	-	20,953

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

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

Holding Companies

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

Strategy and Performance for the Financial Year Ended 31 December 2023

In 2023, the global economy experienced a period of slower growth influenced by various factors including the tightening of financial conditions, geopolitical uncertainties, supply chain disruptions and volatile commodity prices. In Malaysia, the economy was moderately affected by weaker external demand and slower commodities production while growth continued to be supported by robust domestic spending, and a recovering tourism sector. During the year, the country also saw an improvement in investment flow as foreign direct investments increased and infrastructure projects were implemented.

Despite the external headwinds, UOB Malaysia closed the year with record income and profit. Guided by our three-year strategy, the Bank's solid financial performance was backed by well-managed credit cost and good growth across most products in Retail and Wholesale Banking, as well as Global Markets. The Bank also continued to grow its deposits and trade assets, while maintaining a respectable market share for loans.

After completing the acquisition of Citigroup's consumer banking business in 2022, we achieved another major milestone in July 2023 when we successfully integrated the acquired portfolio into UOB Malaysia. The acquisition has further strengthened our retail franchise and unlocked new opportunities for our product offerings and global partnerships. With the integration, the Bank continued to extract value from the synergy of the two portfolios to drive growth.

In recognition of our dedication to sustainable practices, our new corporate headquarters, UOB Plaza 1 Kuala Lumpur was awarded the prestigious Platinum Certification by GreenRE in November and is earmarked for Platinum Certification by BCA Green Mark. Platinum is the highest level in GreenRE's green building rating system, making UOB Plaza 1 the first bank headquarters in Malaysia to be recognised for its sustainable design, construction, and wellness features.

Completed in September 2022, UOB Plaza 1 is the professional home to more than 3,000 of the Bank's employees. Designed to cultivate a high-performing and future-ready workforce, the building features open collaborative areas and workspaces equipped with state-of-the-art technology to foster collaboration, creativity, and culture.

Every facet of the headquarters is meticulously planned to redefine the way our people work, encouraging collaboration and facilitating social interactions. The amenities offered are supplemented by comprehensive wellness support programmes for its occupants' well-being. Our effort has been recognised by the Asian Business Review's ESG Business Awards, as the Bank clinched the Workplace Wellness Programme Award – Malaysia category.

Strategy and Performance for the Financial Year Ended 31 December 2023 (Continued)

In 2023, UOB Malaysia continued to carry out its nationwide branding campaign in line with the Brand refresh which took place in September 2022. The campaign successfully uplifted the bank's brand visibility in the country, bringing more awareness to UOB's sharpened purpose – *Building the future of ASEAN: For the people and businesses within, and connecting with, ASEAN*. The purpose signifies the Bank's long-term strategy and commitment to the region.

Connecting businesses to opportunities within and across ASEAN

Leveraging UOB's extensive regional footprint, we continued to support local enterprises to expand beyond Malaysian shores by connecting them to opportunities within and beyond ASEAN. Using our "One Bank for ASEAN" strategy, we were able to help businesses unlock new avenues for growth across the region through an integrated approach.

Since its establishment in 2013, UOB Malaysia's foreign direct investment (FDI) Advisory unit, has supported more than 500 global companies with cross-border expansion into Malaysia and facilitated more than 230 Malaysian companies in their regional endeavours. There are a total of 10 dedicated FDI centres across Asia within UOB.

A notable instance of our commitment to facilitating FDI into Malaysia is our involvement in the joint financing for GDS' data centre in Nusajaya Johor. UOB Malaysia has been supporting GDS, a leading Chinese high-performance data centre developer, in its regional ambitions through our strong regional network and this is its maiden venture in Malaysia. The deal highlights Malaysia's attractiveness as an ideal investment destination for multinationals looking to expand their regional operations.

Apart from facilitating FDI into Malaysia, UOB Malaysia has also supported local companies' regional expansion efforts. One example is our participation in a syndicated loan to provide financing to OCK Group, Malaysia's top telecommunication network solutions provider, to consolidate its financing obligation and complete the construction of its telecommunication tower projects in Myanmar.

UOB Malaysia is also committed to helping Malaysia enhance its competitiveness in the global supply chain. Recognising the critical role of the logistics sector in facilitating trade, we supported Global Vision Logistics (GVL)'s development of the Shah Alam International Logistics Hub (SAILH), which is set to be the first green-certified logistics hub in Malaysia and one of ASEAN's largest. UOB Malaysia was the Principal Adviser, Lead Arranger, and Joint Lead Manager for GVL's maiden RM1.5 billion ASEAN Green Sustainable and Responsible Investment (SRI) Sukuk Programme, established to fund the development of SAILH.

On the domestic front, we played a pivotal role in powering the supply chain ecosystem for PETRONAS Dagangan Berhad through the UOB Dealer and Distributor Financing Programme. The programme, which consists of a combination of financing, bank guarantees, and cash management solutions, provides comprehensive financial support to the entire value chain of PETRONAS Dagangan and PETRONAS Lubricants Marketing (Malaysia). This initiative aims to benefit more than 1,000 local retailers, who are mainly small-and-medium-sized enterprises (SMEs).

In pursuit of UOB's aspiration to be the leading cross border trade bank in ASEAN, we have enhanced our business digital banking platform, UOB Infinity, with new Financial Supply Chain Management capabilities. This enhancement has enabled our clients to connect seamlessly with their supply chain ecosystem in Malaysia and across Southeast Asia and Greater China. It addresses the evolving trade landscape, where digitalisation is increasingly integral. UOB Infinity's FSCM capabilities not only offer a holistic view of business' operations but also facilitates efficient financial support for the entire supply chain, even across borders.

Personalising solutions that are closely aligned with customer needs

In 2023, we continued to drive our personalisation strategy for our retail franchise, emphasising on customer centricity and our commitment to provide solutions that are tailored to our customers' needs and lifestyle, in particular for travel, dining, and shopping.

Strategy and Performance for the Financial Year Ended 31 December 2023 (Continued)

In July, we successfully integrated Citigroup's consumer banking business into UOB and on boarded former Citi customers in Malaysia into our platforms. With an expanded customer base, product suite and capabilities, the successful integration has further solidified our retail franchise, giving the Bank greater leverage to provide stronger product and service propositions, as well as privileges to our customers.

The acquisition has transformed the bank into a bigger retail bank with significant market share in the cards business. UOB card customers now get to enjoy more than 1,000 travel, dining, and retail perks across Malaysia, Singapore, Thailand, Indonesia, and Vietnam. Our customers were also given priority access to the most sought-after concerts in the region by international artists such as Taylor Swift and Ed Sheeran. To further delight our customers, we launched our first 'UOB Rewards You' carnival, offering our card customers over RM1 million worth of discounted attractive goods, as well as shopping deals and discounts by more than 350 merchants.

During the year, we continued to pursue our omni-channel strategy to meet our customers' unique needs. For digitalisation, our refreshed mobile banking app, UOB TMRW, provides customers with simpler, smarter and more personalised banking experience by leveraging data analytics and artificial intelligence. The enhancements of our all-in-one app also include innovative and multidimensional capabilities in investments, payments, and rewards to empower our customers and provide them with greater banking convenience.

While digital banking has become increasingly popular, the Bank also recognises that selected customers may still prefer face-to-face conversations as well as customised banking advisory and solutions. We continued to invest in our branch transformation strategy, and further reconfigured and relocated 4 branches between 2022 and 2023, including our UOB Privilege Banking and Wealth Banking centres, bringing the total to 15 branches since 2018. These refurbished branches showcase contemporary new looks that represent our commitment to innovation and personalised service. They have been designed to blend in functionality and comfort to provide more convenience and greater comfort to our customers as we deliver personalised wealth advisory and banking solutions to them. Since we embarked on our branch transformation strategy in 2018, 15 branches have been reconfigured and relocated, including our UOB Privilege Banking and Wealth Banking centres.

Forging a sustainable future

Helping businesses advance responsibly

As sustainability increasingly becomes a business imperative rather than an option, UOB Malaysia steps up effort to help local businesses transition. This aligns with UOB's goal to achieve net zero by 2050, a commitment grounded on the need to support a just transition that advances sustainable socioeconomic development in tandem with the decarbonisation in Southeast Asia. In this regard, the Bank has been working closely with clients, including SMEs from different sectors, to understand their challenges and requirements in order to provide impactful solutions to help them transition.

In 2023, we expanded our U-Solar programme which was first launched in 2019. With the expansion, the programme's offerings are now extended to industry players across the entire solar value chain including upstream regional equipment suppliers, midstream solar engineering, procurement, construction, and commissioning contractors and project developers. The programme also supports downstream business and individual end-users. Through the U-Solar programme, which recently won the Asian Business Review's ESG Business award in the Renewable Energy Financing Programme (Malaysia) category, we have been able to help companies in Malaysia to decarbonise. An example is D&Y Textile which successfully completed solar system installation at its manufacturing plant in Johor. The programme has also enabled the Bank to contribute positively to the development and adoption of solar energy in Malaysia.

As of December 31, 2023, the U-Solar programme has facilitated the generation of more than 340 gigawatt hours of solar power in Malaysia, resulting in a substantial reduction of over 228,000 tonnes of carbon dioxide equivalent to 3.7 million tree seedlings grown for 10 years and close to 51,000 cars taken off the road for a year.

Strategy and Performance for the Financial Year Ended 31 December 2023 (Continued)

In addition to solar power, U-Drive, UOB's comprehensive solution for electric vehicle (EV) ecosystem, was also launched in Malaysia to support the nation's path to green mobility. Designed to meet the financial needs of all EV ecosystem players, U-Drive provides a comprehensive range of green banking facilities, including working capital needs, trade financing and dealer stock financing. As one of the first banks to support businesses in the EV ecosystem, the Bank aims to support Malaysia's EV industry as the country makes further inroads in its green journey.

Exemplifying its commitment to green mobility, the Bank participated in the financing of Southeast Asia's first hydrogen-powered autonomous rapid transit in Kuching, Sarawak. This initiative will contribute to the development of the infrastructure and sustainable growth of Kuching, as well as improve the quality of life for its people.

UOB Malaysia's commitment to renewable energy was also evident in our support for Leader Energy's acquisition of a Vietnamese operator for a 50MWp ground-mounted solar plant.

UOB Malaysia continues to actively support companies on their green journeys by facilitating their access to sustainable financing. Tapping on the ASEAN Sustainable and Responsible Investment (SRI) Sukuk Framework, the Bank has assisted companies such as Global Vision Logistics and EXSIM Group to raise financing for their green projects. During the year, the Bank also signed an MOU with Sunway Group for a collaboration outlay to integrate sustainable financing solutions, infrastructure, and technologies in Sunway's diversified businesses and ecosystem partners. This is a fine example of a partnership between like-minded organisations, leveraging each other's strength and expertise to support one another to achieve net zero carbon emissions by 2050.

In recognition of the Bank's efforts in assisting SMEs to transition to sustainability, UOB Malaysia co-chairs the SME Focus Group (SFG) under the Joint Committee on Climate Change together with Bank Negara Malaysia. Most recently, the SFG launched the Environment Social and Governance (ESG) Jumpstart portal, a one-stop information portal specifically developed to upskill and equip local SMEs to adopt ESG practices. The portal is a simple and practical reference guide for SMEs and contains suggested actions that SMEs could take to build up their basic ESG knowledge and capabilities, as well as to identify and respond to key ESG issues, risks and opportunities.

Apart from its efforts through the SFG, the Bank has also rolled out several initiatives to provide greater support to SMEs in their transition to the green economy. Launched in October 2023, the Sustainability Accelerator Programme aims to empower SMEs with foundational knowledge and know-how to adopt sustainable practices and accelerate their transition to a low-carbon economy. Concurrently, we have also introduced the UOB Sustainability Compass, a tool which we have developed jointly with PwC to help assess the state of ESG readiness for SMEs. The compass provides SMEs with customised reports based on their sectors and ESG readiness, which includes a step-by-step guide to kick-start or accelerate their sustainability journey.

Doing right by our communities

Reinforcing the Bank's commitment to "Building the future of ASEAN", UOB Malaysia continues to heighten its support in the areas of children, education and art, important pillars in building a progressive society.

In 2023, the Bank raised a record RM2 million for charities through its annual UOB Global Heartbeat Run/Walk. This year's annual UOB Global Heartbeat Run/Walk event was attended by more than 4,000 colleagues together with their families and friends, making it the largest event organised by the Bank. The money raised went towards improving the lives of disadvantaged children and vulnerable communities mainly from five local beneficiaries: Food Aid Foundation, HOPE Worldwide Malaysia, SOLS 24/7, Special Olympics Malaysia, and World Vision Malaysia.

We also continued to contribute digital learning devices to schools and homes to bridge the digital gap for children from disadvantaged backgrounds through the UOB My Digital Space Programme. Our colleagues' contributions of about 1,000 volunteerism hours also affirmed our collective commitment to improve the communities which we operate in.

Strategy and Performance for the Financial Year Ended 31 December 2023 (Continued)

During the year, the Bank ran its 13th edition of the UOB Painting of the Year (POY) (Malaysia) competition to discover and support local artists. This year, we increased the prize money in the emerging artist category and awarded a total cash prize of RM243,000 to established and emerging Malaysian artists. Following the competition, an exhibition was set up to display the winning artworks from the established and emerging artists to garner more public interest.

As part of our ongoing commitment to support art and our art community, we sponsored Mr Saiful Razman, the 2021 winner of both the Malaysian and Southeast Asian UOB POY awards, to exhibit his artwork at the prestigious Venice Biennale, an internationally-acclaimed art exhibition in Italy. Additionally, the Bank unveiled a vibrant light rail transit (LRT) wrap featuring an artwork by Mr Wooi Ki Xiong, the Most Promising Artist of the Year in the Emerging Artist Category at the 2022 UOB POY (Malaysia) competition. The LRT wrap was part of the Bank's efforts to showcase local artworks to a wider audience, to bring art to the community and to increase art appreciation among Malaysians.

To support and equip home-grown talents with useful skills to help them reach new heights in their artistic careers, the Bank launched the Jom Transform: Arts Digital Accelerator programme. Held in collaboration with the National Art Gallery, the programme aims to help UOB POY artists and National Art Gallery's Young Art Entrepreneurs build a sustainable career in the art industry by enhancing their digital skills and business acumen. The Arts Digital Accelerator programme complements our POY competition by empowering local artists to use digital tools to advance their profile and business online, ultimately improving their competitiveness. It was well received by the art community which appreciated the opportunity to pick up new knowledge and network with various parties from the art ecosystem.

Our people are our greatest asset

Nurturing and developing our people is a key strategy to drive our long-term sustainable growth. We create robust policies that support our multi-generational workforce of more than 6,000 colleagues to develop sustainable and meaningful careers through our Employee Value Proposition pillars of Care, Growth and Trust.

After completing the Citigroup's consumer banking acquisition in November 2022, we organised several networking events, a series of induction sessions, and a leadership retreat to help our new colleagues assimilate and integrate within the organisation.

With the timely addition of our new colleagues, the Bank launched The UOB Way in 2023 to strengthen our people culture and build employee pride. A series of workshops were organised for senior leaders and managers to learn more about The UOB Way and how to incorporate it into their professional day-to-day life. Sixty UOB Way Champions across functions were also identified and trained to role model, advocate, and provide feedback for continuous improvement.

An important factor to drive sustainable growth is ensuring that our people are well taken care of. To this end, we have further enhanced our employee and flexCARE benefits to improve our colleagues' financial and personal wellbeing. We have also opened our first dedicated healthcare centre in UOB Plaza 1 Kuala Lumpur to provide convenient access for our colleagues when they need medical attention.

As we prepare for a new era of banking, we will continue to invest in our people and develop their talents. In 2023, UOB Malaysia held its first Career Awareness Day in conjunction with Group's Better U festival. The two-day event offered colleagues a platform to build connections across different functions and discover the range of opportunities to help them grow in their career. We also expanded "Better U", our flagship learning and development programme to include an "Artificial Intelligence (AI)" programme that will help equip our colleagues with the tools needed to succeed in a digital future.

Additionally, we enhanced our structured training programmes including courses under our partnership with the Asian Banking School (ABS) and Melbourne Business School. As sustainability is one of our key strategic pillars, we have added new learning programmes for our people to deepen their knowledge and capabilities to manage ESG.

Strategy and Performance for the Financial Year Ended 31 December 2023 (Continued)

Apart from our extensive learning portfolio, we continued to provide leadership development opportunities for our people to achieve their career aspirations. As part of building a healthy pipeline to strengthen the Bank's talent pool, we offer the Management Associate Programme, the UOB Corporate Internship Programme, and the Smart Internship Banking Programme. This was also supplemented by our continued support of trainees under ABS and BNM's Financial Sector Talent Enrichment Programme.

Outlook

We anticipate global growth to remain moderate in 2024 amid slower growth in advanced economies. China faces challenges as we expect soft growth due to ongoing weaknesses in its property sector, deflationary risks and weak employment. A key theme for 2024 is the global easing of monetary policy, including the expected lowering of interest rates by the US Federal Reserve albeit the timing remains uncertain. China is anticipated to increase monetary and fiscal support to manage growth risks. With a less restrictive global policy stance, Southeast Asia's economic growth is expected to stabilise, supported by improving external trade, tourism recovery and resilient domestic demand.

We maintain a positive outlook on the region's fundamentals and medium- to long-term prospects. Key risks include potential acceleration of inflation, geopolitical tensions, tightening financial market conditions, and underestimated climate-related risks such as floods, droughts and extreme weather.

We expect annual growth in Malaysia to improve in 2024, supported by favourable labour market conditions, stronger tourism activity, a stronger technology cycle, ongoing investment projects, and national master plans. Budget 2024 measures will boost economic activity, but businesses may face challenges from elevated costs and cautious demand. Despite these challenges, Malaysia's diversified economic structure provides strength and ongoing policy support is expected to sustain economic growth.

Rating by External Rating Agencies

Rating Agency Malaysia (RAM) has reaffirmed the Bank AAA/Stable/P1 financial institution ratings (FIR) as well as the ratings of its debt instruments below, for its sturdy credit metrics, healthy funding and liquidity profile, and robust capitalisation.

United Overseas Bank (Malaysia) Bhd's issue ratings

No.	Debt instruments issued by the Bank	Ratings
1	RM8 billion Medium Term Notes Programme: Tier-2 Subordinated Notes (2020/2030)	AA1/Stable
2	RM8 billion Medium Term Notes Programme: Tier-2 Subordinated Notes (2022/2032)	AA1/Stable

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

Other Statutory Information

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

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

Other Statutory Information (Continued)

(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 and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Bank inadequate to any substantial extent; and

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

Significant and Subsequent Events

The significant and subsequent events are disclosed in Note 47 to the financial statements.

Auditors and Auditors' Remuneration

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

The auditors' remuneration for the Group and the Bank amounting to RM1,911,000 and RM1,868,000 respectively are disclosed in Note 31 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors.

Ching Yew Chye   Ng Wei Wei

Kuala Lumpur, Malaysia
Date: 5 April 2024

Statement by Directors

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

We, Ching Yew Chye and Ng Wei Wei, being two of the directors of United Overseas Bank (Malaysia) Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 129 to 270 are drawn up in accordance with 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 2023 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.

Ching Yew Chye   Ng Wei Wei

Kuala Lumpur, Malaysia
Date: 5 April 2024

Statutory Declaration

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

I, Ng Wei Wei, being the director primarily responsible for the financial management of United Overseas Bank (Malaysia) Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 129 to 270 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ng Wei Wei at Kuala Lumpur in the Federal Territory on 5 April 2024.

Ng Wei Wei

Before me,

Shariah Committee's Report

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

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

In compliance with our letter of appointment, we submit the following report:

We, the members of United Overseas Bank (Malaysia) Bhd (the Bank)'s Shariah Committee, are responsible for the oversight of Shariah matters related to the Bank's Islamic banking business, operations and activities. Although the Board of Directors are ultimately responsible and accountable for all Shariah matters within the Bank, they rely on our independent advice on the same. In turn, the Bank's Management is responsible for ensuring that the Bank conducts its Islamic banking business in accordance with the Shariah rules and principles. It is our responsibility to form independent opinions, based on our review of the operations of the Bank's Islamic banking business, and to report to the Board of Directors and Bank Negara Malaysia accordingly.

Throughout the financial year ended 31 December 2023, we have concluded six (6) scheduled meetings and three (3) special meetings to review the Bank's various Shariah product structures and documentations, transactions, services, and operations. In the course of our meetings, we reviewed the Bank's existing range of Shariah products and approved two (2) new products, namely Islamic Callable Range Accrual-i, Physical Gold & Premium Gold Savings Account-i/General Gold Saving Account-i and (1) special project on the migration of Citibank's Retail Islamic Portfolio. We have also provided Shariah opinions on various matters relating to the Bank's Islamic banking operations and assessed the reviews conducted by the Shariah officers to form an opinion as to whether the Bank has complied with the Shariah rulings, resolutions and guidelines issued by the Shariah Committee and the Shariah Advisory Council of Bank Negara Malaysia when carrying Islamic banking business.

We have assessed and endorsed the works carried out by the Shariah Review, Shariah Risk Management and Shariah Audit teams in 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 carrying its Islamic banking business.

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

Based on the above, in our opinion:

(i) The Bank's Islamic banking products, legal documents and processes that we approved during the financial year ended 31 December 2023 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 2023 are in compliance with the Shariah rules and principles;

(iii) The Bank's sources of Islamic banking income during the financial year ended 31 December 2023 are in compliance with the Shariah rules and principles;

(iv) No Shariah non-compliant incident was reported on the Bank's Islamic banking business during the financial year ended 31 December 2023;

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

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

(vii) No disclosure on zakat payment as it is not applicable to the Bank.

To the best of our knowledge and based on the information provided to us, we hereby confirm that the Bank's Islamic banking business, operations and activities for the financial year ended 31 December 2023 are in conformity with the Shariah rules and principles. Nothing has come to the Shariah committee's attention that causes the Shariah committee to believe that the operations, business, affairs and activities of the Bank involve any material Shariah non-compliances. Allah knows best.

Dr. Zaharuddin Bin Abdul Rahman	Prof. Dr. Noraini Binti Mohd Ariffin
Chairman, Shariah Committee	Member, Shariah Committee

Kuala Lumpur, Malaysia
Date: 5 April 2024

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 2023 of the Group and of the Bank, and statements of profit or loss, 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 material accounting policy information, as set out on pages 129 to 270.

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 2023, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information in Directors' Report and Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon, for which the Directors' Report was obtained by us 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.

Independent Auditors' Report (Continued)

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

Report on the Audit of the Financial Statements(Continued)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Other matters

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

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039 Chartered Accountants	Yeo Beng Yean No. 03013/10/2024 J Chartered Accountant

Kuala Lumpur, Malaysia
Date: 5 April 2024

Statements of Financial Position

As at 31 December 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Assets					
Cash and short-term funds	3	**5,237,169**	7,690,591	**5,237,169**	7,690,591
Deposits and placements with financial institutions	4	**799,826**	-	**799,826**	-
Securities purchased under resale agreements	5	**459,320**	333,751	**459,320**	333,751
Financial assets at fair value through profit or loss (FVTPL)	6	**5,274,798**	8,193,160	**5,274,798**	8,193,160
Debt instruments at fair value through other comprehensive income (FVOCI)	7	**22,341,947**	20,167,367	**22,341,947**	20,167,367
Equity instruments at fair value through other comprehensive income (FVOCI)	8	**218,194**	153,681	**218,194**	153,681
Debt instruments at amortised cost	9	**9,851,072**	7,937,593	**9,851,072**	7,937,593
Other assets	10	**1,679,473**	1,576,798	**1,690,570**	1,581,892
Derivative financial assets	25	**1,355,349**	1,623,534	**1,355,349**	1,623,534
Loans, advances and financing	11	**104,624,357**	103,108,949	**104,927,554**	103,195,366
Statutory deposits with Bank Negara Malaysia	12	**1,567,533**	1,815,933	**1,567,533**	1,815,933
Investment in subsidiaries	13	**-**	-	**350,020**	570,020
Investment in an associate	14	**418**	418	**4,758**	4,758
Property, plant and equipment	15	**1,402,720**	1,307,789	**652,268**	535,357
Right-of-use assets	16	**77,676**	93,166	**508,554**	134,964
Intangible assets	17	**466,274**	480,157	**466,274**	480,157
Tax recoverable		**2,170**	-	**297**	-
Deferred tax assets	18	**379,671**	361,850	**368,342**	344,713
Total assets		**155,737,967**	154,844,737	**156,073,845**	154,762,837
Liabilities					
Deposits from customers	19	**116,034,201**	110,884,809	**116,065,349**	110,900,274
Deposits and placements of banks and other financial institutions	20	**14,015,165**	16,338,616	**14,015,185**	16,338,616
Obligations on securities sold under repurchase agreements	5	**2,916,732**	5,523,321	**2,916,732**	5,523,321
Bills and acceptances payable		**297,505**	239,443	**297,505**	239,443
Other liabilities	21	**5,017,421**	4,563,668	**4,980,194**	4,521,899
Derivative financial liabilities	25	**1,493,000**	2,287,130	**1,493,000**	2,287,130
Tax payable		**-**	223,311	**-**	224,441
Lease liabilities	16	**84,147**	98,970	**532,075**	145,038
Subordinated bonds	22	**1,749,728**	2,346,727	**1,749,728**	2,346,727
Deferred tax liabilities	18	**27,828**	31,732	**-**	-
Total liabilities		**141,635,727**	142,537,727	**142,049,768**	142,526,889
Equity attributable to equity holders of the Bank					
Share capital	23	**792,555**	792,555	**792,555**	792,555
Reserves	24	**13,309,685**	11,514,455	**13,231,522**	11,443,393
Total equity		**14,102,240**	12,307,010	**14,024,077**	12,235,948
Total liabilities and equity		**155,737,967**	154,844,737	**156,073,845**	154,762,837
Commitments and contingencies	38	**250,273,115**	232,548,810	**250,272,975**	232,548,810

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

Statements of Profit or Loss

For the financial year ended 31 December 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Operating revenue	27	**8,931,131**	6,247,835	**8,937,413**	6,250,954
Interest income	28	**6,622,479**	4,692,091	**6,629,178**	4,694,919
Interest expense	29	**(3,766,424)**	(2,032,784)	**(3,786,897)**	(2,034,209)
Net interest income		**2,856,055**	2,659,307	**2,842,281**	2,660,710
Net income from Islamic Banking operations	48	**169,591**	147,733	**169,591**	147,733
Other operating income	30	**1,575,116**	1,049,956	**1,572,766**	1,049,099
Operating income		**4,600,762**	3,856,996	**4,584,638**	3,857,542
Other operating expenses	31	**(2,378,201)**	(2,296,194)	**(2,360,913)**	(2,275,401)
Operating profit before allowance for expected credit losses (ECL)		**2,222,561**	1,560,802	**2,223,725**	1,582,141
(Allowance for)/write-back of expected credit losses on:					
Loans, advances and financing	33	**(292,249)**	(169,793)	**(292,696)**	(170,539)
Other financial assets	33	**2,550**	3,297	**2,547**	6,178
Commitments and contingencies	21(c)/33	**(41,738)**	26,454	**(41,738)**	26,454
Write-back of/(impairment loss) on property, plant and equipment	15	**9,893**	(103,246)	**-**	-
		1,901,017	1,317,514	**1,891,838**	1,444,234
Share of net loss of an associate	14	**-**	(565)	**-**	-
Profit before taxation		**1,901,017**	1,316,949	**1,891,838**	1,444,234
Income tax expense	34	**(351,723)**	(679,007)	**(349,663)**	(705,993)
Profit for the year attributable to equity holders of the Bank		**1,549,294**	637,942	**1,542,175**	738,241
Basic/diluted earnings per share (sen)	35	**329.6**	135.7		
Dividend per share (sen)	36	**164.1**	-		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Profit for the year		**1,549,294**	637,942	**1,542,175**	738,241
Other comprehensive income/(losses):					
Items that will be reclassified subsequently to profit or loss:					
Net fair value changes in debt instruments at FVOCI		**258,544**	(206,742)	**258,544**	(206,742)
Income tax effect	18	**(61,620)**	49,618	**(61,620)**	49,618
		196,924	(157,124)	**196,924**	(157,124)
Items that will not be reclassified subsequently to profit or loss:					
Net fair value changes in equity instruments at FVOCI		**64,513**	(3,076)	**64,513**	(3,076)
Revaluation of land and buildings	15	**(24)**	53,631	**-**	-
Income tax effect	18	**(15,477)**	(12,133)	**(15,483)**	738
		49,012	38,422	**49,030**	(2,338)
Total other comprehensive income/(losses) for the year, net of tax		**245,936**	(118,702)	**245,954**	(159,462)
Reclassification of gain on disposal of equity investment at FVOCI		**-**	250	**-**	250
Total comprehensive income for the year attributable to equity holders		**1,795,230**	519,490	**1,788,129**	579,029

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

Statements of Changes in Equity

For the financial year ended 31 December 2023

Group	Share capital RM'000	◄--- Non-distributable ---► Revaluation reserve RM'000	FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2023					
Balance as at 1 January	792,555	233,495	(166,561)	11,447,521	12,307,010
Profit for the year	-	-	-	1,549,294	1,549,294
Other comprehensive (losses)/income	-	(18)	245,954	-	245,936
Total comprehensive (losses)/income	-	(18)	245,954	1,549,294	1,795,230
Balance as at 31 December	**792,555**	**233,477**	**79,393**	**12,996,815**	**14,102,240**

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

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

Statements of Changes in Equity (Continued)

For the financial year ended 31 December 2023

Bank	Share capital RM'000	Non-distributable FVOCI reserve RM'000	Distributable Retained profits RM'000	Total RM'000
2023				
Balance as at 1 January	792,555	(173,464)	11,616,857	12,235,948
Profit for the year	-	-	1,542,175	1,542,175
Other comprehensive income	-	245,954	-	245,954
Total comprehensive income	-	245,954	1,542,175	1,788,129
Balance as at 31 December	**792,555**	**72,490**	**13,159,032**	**14,024,077**

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

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

Statements of Cash Flows

For the financial year ended 31 December 2023

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities					
Profit before taxation		**1,901,017**	1,316,949	**1,891,838**	1,444,234
Adjustments for:					
Share of net loss of an associate	14	**-**	565	**-**	-
Amortisation of intangible assets	17	**13,300**	1,983	**13,300**	1,983
Gain on disposal and write-off of property, plant and equipment	30	**(42)**	-	**(42)**	-
Depreciation of property, plant and equipment	31	**148,154**	117,142	**116,073**	86,173
Depreciation of right-of-use assets	31	**19,371**	22,129	**46,787**	30,716
Allowance for/(write-back of) ECL on:					
- Loans, advances and financing	33	**292,249**	169,793	**292,696**	170,539
- Other financial assets	33	**(2,550)**	(3,297)	**(2,547)**	(6,178)
- Commitments and contingencies	21(c)	**42,790**	(28,130)	**42,790**	(28,130)
Net unrealised (gain)/loss on financial assets at FVTPL	30	**(25,633)**	3,451	**(25,633)**	3,451
Dividend income from equity instruments at FVOCI	30	**(2,241)**	(960)	**(2,241)**	(960)
Interest/profit income from debt instruments at FVOCI	28	**(810,820)**	(694,259)	**(810,820)**	(694,259)
Interest/profit income from debt instruments at amortised cost	28	**(351,915)**	(151,626)	**(351,915)**	(151,626)
Gain from sale of debt instruments at FVOCI	30	**(86,978)**	(40,216)	**(86,978)**	(40,216)
Foreign exchange gain		**(792,226)**	(330,607)	**(792,226)**	(330,607)
Loss/(gain) from sale of financial assets at FVTPL	30	**11,140**	(29,888)	**11,140**	(29,888)
Loss from trading derivatives	30	**183,890**	23,065	**183,890**	23,065
Unrealised gain from trading derivatives	30	**(88,144)**	(48,586)	**(88,144)**	(48,586)
Unrealised loss/(gain) on fair value adjustment for subordinated bonds	30	**3,001**	(16,541)	**3,001**	(16,541)
Gain from sale of precious metals	30	**(2,188)**	(723)	**(2,188)**	(723)
Unrealised loss/(gain) from revaluation of precious metals	30	**30**	(2,370)	**30**	(2,370)
(Write-back of)/impairment loss on property, plant and equipment, net	15	**(9,893)**	103,246	**-**	-
Interest expense from lease liabilities	29	**2,849**	720	**22,787**	1,749
Amortisation of premium less accretion of discount from:					
- Financial assets at FVTPL	28	**(21,532)**	(35,827)	**(21,532)**	(35,827)
- Debt instruments at FVOCI	28	**106,121**	117,870	**106,121**	117,870
- Debt instruments at amortised cost	28	**(5,185)**	(3,726)	**(5,185)**	(3,726)
Operating profit before working capital changes		**524,565**	490,157	**541,002**	490,143

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

Statements of Cash Flows (Continued)

For the financial year ended 31 December 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Cash flows from operating activities (Continued)					
(Increase)/decrease in operating assets:					
Loans, advances and financing		**(1,807,657)**	(2,532,408)	**(2,024,884)**	(2,528,287)
Financial assets at FVTPL		**2,954,387**	(3,533,017)	**2,954,387**	(3,533,017)
Securities purchased under resale agreements		**(125,569)**	(256,046)	**(125,569)**	(256,046)
Statutory deposits with Bank Negara Malaysia		**248,400**	(1,635,266)	**248,400**	(1,635,266)
Derivative financial assets		**172,439**	(1,082,267)	**172,439**	(1,082,267)
Other assets		**(78,554)**	(505,248)	**(84,560)**	(506,841)
Intangible assets	17	**583**	-	**583**	-
		1,364,029	(9,544,252)	**1,140,796**	(9,541,724)
Increase/(decrease) in operating liabilities:					
Deposits from customers		**5,149,372**	3,722,561	**5,165,075**	3,710,534
Deposits and placements of banks and other financial institutions		**(2,323,431)**	994,116	**(2,323,431)**	994,096
Obligation on securities sold under repurchase agreements		**(2,606,589)**	4,976,553	**(2,606,589)**	4,976,553
Bills and acceptances payable		**58,062**	31,122	**58,062**	31,122
Derivative financial liabilities		**(794,130)**	1,766,849	**(794,130)**	1,766,849
Other liabilities		**1,204,269**	2,846,535	**1,209,064**	2,811,863
		687,553	14,337,736	**708,051**	14,291,017
Cash generated from operations		**2,576,147**	5,283,641	**2,389,849**	5,239,436
Tax paid		**(692,362)**	(688,124)	**(691,469)**	(685,118)
Net cash generated from operating activities		**1,883,785**	4,595,517	**1,698,380**	4,554,318
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**9,728**	783	**8,310**	174
Purchase of property, plant and equipment	15	**(242,902)**	(326,327)	**(241,252)**	(235,275)
Partial return for investment in an associate	14	**-**	8,764	**-**	8,764
Acquisition of consumer business		**-**	(3,417,256)	**-**	(3,417,256)
Interest/profit income from debt instruments at FVOCI	28	**810,820**	694,259	**810,820**	694,259
Interest/profit income from debt instruments at amortised cost	28	**351,915**	151,626	**351,915**	151,626
(Purchase)/net disposal of debt instruments at FVOCI		**(1,935,317)**	1,699,344	**(1,935,317)**	1,699,344
Net purchase of debt instruments at amortised cost		**(1,905,868)**	(6,784,353)	**(1,905,868)**	(6,784,353)
Dividend income from equity instruments at FVOCI	30	**2,241**	960	**2,241**	960
Redemption/(subscription) of redeemable preference shares	13	**-**	-	**220,000**	(40,000)
Net cash used in investing activities		**(2,909,383)**	(7,972,200)	**(2,689,151)**	(7,921,757)

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

Statements of Cash Flows (Continued)

For the financial year ended 31 December 2023

		Group		Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from financing activities					
Net proceeds from (redemption)/issuance of subordinated bonds	22	**(600,000)**	1,000,000	**(600,000)**	1,000,000
Lease payments	16	**(21,012)**	(20,451)	**(55,839)**	(29,695)
Net cash (used in)/generated from financing activities		**(621,012)**	979,549	**(655,839)**	970,305
Net decrease in cash and cash equivalents		**(1,646,610)**	(2,397,134)	**(1,646,610)**	(2,397,134)
Cash and cash equivalents at beginning of the year		**7,696,923**	10,094,057	**7,696,923**	10,094,057
Cash and cash equivalents at end of the year before allowance for ECL		**6,050,313**	7,696,923	**6,050,313**	7,696,923
Analysis of cash and cash equivalents					
Cash and short-term funds	3	**5,250,313**	7,696,923	**5,250,313**	7,696,923
Deposits and placements with financial institutions	4	**800,000**	-	**800,000**	-
		6,050,313	7,696,923	**6,050,313**	7,696,923
Less: Allowance for ECL	3,4	**(13,318)**	(6,332)	**(13,318)**	(6,332)
		6,036,995	7,690,591	**6,036,995**	7,690,591

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

Notes to the Financial Statements

1. Corporate Information

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 22, UOB Plaza 1 Kuala Lumpur, No. 7 Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

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

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

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

2. Material 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 material accounting policies. The financial statements also include separate disclosures on its Islamic Banking operations as disclosed in Note 48. Islamic Banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles.

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

2.2 Changes in accounting policies

Adoption of new and amended MFRSs and Interpretation Committee (IC) Interpretations issued

The accounting policies as set out in Note 2.4 adopted by the Group and the Bank are consistent with those adopted in previous years, except as follows:

The Group and the Bank adopted the following new and amended MFRSs and IC Interpretations beginning on or after 1 January 2023

MFRS 17 Insurance Contracts
Amendments to MFRS 17 Insurance Contracts
Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendments to MFRS 17 Insurance Contracts)
Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)
Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)
International Tax Reform - Pillar Two Model Rules (Amendments to MFRS 112 Income Taxes)

The adoption of the above amended MFRSs and IC Interpretations did not have any material impact on the financial statements of the Group and the Bank.

2.3 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following MFRSs and amendments to MFRSs have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group and the Bank.

Effective for financial periods beginning on or after 1 January 2024

Non-current Liabilities with Convenants (Amendments to MFRS 101 Presentation of Financial Statements)
Supplier Finance Arrangements (Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures)

2. Material Accounting Policies (Continued)

2.3 Standards issued but not yet effective (Continued)

Effective for financial periods beginning on or after 1 January 2025

Lack of Exchangeability (Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates)

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

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

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

2.4 Summary of material accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries including the equity accounting of interest in an associate as at 31 December 2023. The financial statements of the Bank's subsidiaries and associate are prepared for the same reporting date as the Bank, using consistent accounting policies for transactions and events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(i) Subsidiaries

Subsidiaries are entities over 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) Associate

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

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

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Basis of consolidation (Continued)

(ii) Associate (Continued)

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

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

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

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

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

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

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

(b) Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(b) Business combinations and goodwill (Continued)

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is reviewed for impairment annually or more frequently if the circumstances indicate that its carrying amount may be impaired. Where the recoverable amount, being the higher of fair value less cost to sell and value in use, of a cash-generating unit (CGU) is below its carrying amount, the impairment allowance is recognised in the profit or loss and subsequent reversal is not allowed.

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

(c) Other intangible assets

Intangible assets of the Group and the Bank include separately identifiable intangible items with finite useful lives that are acquired in business combinations and are stated at cost, being their fair value at the date of acquisition less accumulated amortisation and impairment allowance. These intangible assets are amortised on a straight-line basis over their estimated useful lives of ten years. The estimated useful life, amortisation method and residual value of intangible assets are reviewed annually.

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that their recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts. Impairment allowance is recognised in the profit or loss and subsequent reversal is permitted when there is indication that the impairment loss recognised in prior periods no longer exist or may have decreased.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. The resulting gain or loss upon derecognition is recognised in the profit or loss.

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(d) Financial instruments

(i) Financial assets

Initial recognition and measurement

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

(a) Amortised cost

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

(b) Debt instruments at FVOCI

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

(c) Equity instruments at FVOCI

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

(d) Financial instruments at FVTPL

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

Subsequent measurement

(a) Amortised cost

Amortised cost financial instruments are measured at amortised cost using effective interest/profit rate method. Gains/losses are recognised in profit or loss through the amortisation process and when the financial instruments are impaired or derecognised.

(b) Debt instruments at FVOCI

Debt instruments classified as FVOCI are measured at fair value. Any gains or losses arising from the changes in fair value of these financial instruments are recognised in other comprehensive income (OCI), except for impairment loss, exchange differences and interest/profit income which are recognised in profit or loss. The cumulative gain or loss previously recognised in OCI is classified from equity to profit or loss as a reclassification adjustment when the financial instrument is derecognised.

(c) Equity instruments at FVOCI

Equity instruments classified as FVOCI are measured at fair value. Any gains or losses arising from the changes in fair value of these financial instruments are recognised in OCI and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's or the Bank's right to receive payment is established.

(d) Financial instruments at FVTPL

All other financial instruments which are classified as FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial instruments at FVTPL do not include exchange differences, interest/profit and dividend income. Exchange differences, interest/profit and dividend income on financial instruments at FVTPL are recognised separately in profit or loss as part of income or losses.

Classification of credit-impaired loans, advances and financing

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

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(d) Financial instruments (Continued)

(i) Financial assets (Continued)

Classification of credit-impaired loans, advances and financing (Continued)

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

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

Expected credit losses of financial assets

Expected credit losses (ECL) are provided to financial assets measured at amortised cost and debt instruments at FVOCI and certain loan and financing commitments as well as financial guarantee contracts. ECL is computed based on the probability of default in the next twelve months unless there has been a significant increase in credit risk (SICR) since origination, in which case, the allowance is based on the probability of default over the expected remaining life of the assets. The ECL may be assessed either individually or collectively.

Derecognition

A financial asset is derecognised when there is substantial modification of terms and conditions or factors other than substantial modification.

The Group and the Bank derecognise a financial asset, such as a loan/financing to a borrower/customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan/financing with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(1) The rights to receive cash flows from the financial assets have expired; or
(2) The transfer of financial asset qualifies for derecognition.

The Group and the Bank consider control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

(ii) Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

(a) Financial liabilities at FVTPL

Financial liabilities are measured at FVTPL if they are held for trading and designated upon initial recognition as FVTPL. Gains or losses on financial liabilities held for trading are recognised in the profit or loss as disclosed in other operating income.

(b) Amortised cost

Non-derivative financial liabilities that are not held for active trading or designated as FVTPL are classified as non-trading liabilities and are measured at amortised cost.

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(d) Financial instruments (Continued)

(ii) Financial liabilities (Continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in the profit and loss.

(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) Write-off policy

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

(e) 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 CGU to which the asset belongs to.

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

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

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

(f) 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 at the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in the fair value of derivative are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss where the hedged items affect profit or loss.

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(f) Financial derivatives (Continued)

Derivatives embedded in financial liabilities are accounted for separately as derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not carried at FVTPL.

(g) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, 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.

Subsequent to initial recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognised such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit and loss as incurred.

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 - 33.3%
Motor vehicles	20%

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

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

(h) Leases

The Group and the Bank assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>The Group and the Bank as lessee</u>

The Group and the Bank apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(h) Leases (Continued)

The Group and the Bank as lessee (Continued)

(i) Right-of-use assets

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, reinstatement costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, the depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as disclosed in Note 2.4(e).

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank use their incremental borrowing rates at the lease commencement date because the interest rates implicit in the lease are not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. They also apply the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense over the lease term.

(i) Fair value measurement

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

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(j) 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.

(k) 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 laws 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 if there is a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(l) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits - Defined contribution plans

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

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(m) Share-based payment

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

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

(n) 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.

(o) Securities purchased under resale agreements and obligations on securities sold under repurchase agreements

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

Obligations on securities sold under repurchase agreements are collateralised borrowing whereby the borrower (i.e. the Bank) sells securities or money market instruments (representing the collateral) to the lender and simultaneously agrees to buy them back from the lender at a specified price and date. The commitment to repurchase the securities is reflected as a liability on the statements of financial position.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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 profit or loss under the caption of 'other operating income'.

2. Material Accounting Policies (Continued)

2.4 Summary of material accounting policies (Continued)

(u) 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.

Fair value hedges

A fair value hedge is a hedge of changes in the fair value of an asset, liability or a firm commitment.

For a fair value hedge of an equity instrument designated at FVOCI, fair value changes of the hedging instrument are recognised in other comprehensive income and transferred to retained earnings when the hedge is terminated.

For other fair value hedges, fair value changes of the hedging instrument are recognised in the profit and loss, together with fair value changes of the hedged item attributable to the hedged risk. The adjustment made to the carrying amount of the hedged item is amortised over the expected life of the hedged item when the hedge is terminated and taken to profit and loss upon disposal of the hedged item.

The Group and the Bank have an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its subordinated bonds as disclosed in Note 22(d).

(v) 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.

(w) Recognition of fees, commission income, dividends and other income

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

Dividends from subsidiaries and an associate, securities at FVTPL, debt and equity instruments at FVOCI and debt instruments at amortised cost are recognised on a declared basis.

2.5 Significant accounting estimates and judgements

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

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

2. Material Accounting Policies (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(a) Allowance for ECL on financial assets

The measurement of ECL across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of SICR. These estimates are driven by a number of factors, including macro-economic factors as disclosed in Note 40.1(b), changes in which can result in different levels of allowance.

The Group's and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank's internal credit grading model, which assigns probability of default (PD) to each individual grade;
- The Group's and the Bank's criteria for assessing if there has been a SICR and so allowance for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic variables and, economic inputs, such as unemployment rates and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Group's and the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(b) Level 3 fair value estimation for financial instruments, land and buildings

The fair values of financial instruments and land and buildings are the prices 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 values are as disclosed in Note 26(d).

(c) Goodwill and other intangible assets

The fair values of other intangible assets acquired is determined using valuation methodologies that include (a) discounted cash flow model and management's best estimate of future cash flows, and (b) multi-period excess earnings method for customer relationships. Useful lives of these intangible assets are based on management's best estimates of periods over which value from the intangible assets will be realised.

Management reassesses the estimated useful lives at each financial year end, taking into account the period over which the intangible assets are expected to generate future economic benefit.

Goodwill and other intangible assets are reviewed for impairment in accordance with Notes 2.4(b), (c) and 17. The process requires management's assessment of key factors such as future economic growth, business forecasts and discount rates.

3. Cash and Short-Term Funds

	Group and Bank	
	2023 RM'000	2022 RM'000
Cash and balances with banks and other financial institutions	2,571,713	3,253,289
Money at call and deposit placements maturing within one month	2,678,600	4,443,634
	5,250,313	7,696,923
Less: Allowance for ECL	(13,144)	(6,332)
	5,237,169	7,690,591

3. Cash and Short-Term Funds (Continued)

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

Group and Bank 2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	6,332	-	-	6,332
Allowance made	8,301	-	-	8,301
Maturity/settlement/repayment	(1,638)	-	-	(1,638)
Exchange differences	149	-	-	149
Net total (Note 33)	6,812	-	-	6,812
At 31 December	13,144	-	-	13,144
2022				
At 1 January	30,833	-	-	30,833
Allowance made	7,328	-	-	7,328
Maturity/settlement/repayment	(31,829)	-	-	(31,829)
Net total (Note 33)	(24,501)	-	-	(24,501)
At 31 December	6,332	-	-	6,332

4. Deposits and Placements with Financial Institutions

	Group and Bank	
	2023 RM'000	2022 RM'000
Licensed banks	800,000	-
Less: Allowance for ECL	(174)	-
	799,826	-

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

Group and Bank 2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	-	-	-	-
Allowance made	174	-	-	174
Net total (Note 33)	174	-	-	174
At 31 December	174	-	-	174

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

Reverse Repos

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Assets received for Reverse Repos transactions, at amortised cost	459,320	333,751

Repos

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Assets sold for Repos transactions, at amortised cost	2,916,732	5,523,321

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Money market instruments		
Bank Negara Malaysia bills	414,214	-
Malaysian Government treasury bills	38,557	896,067
Negotiable instruments of deposits	3,099,652	4,799,896
	3,552,423	5,695,963
Unquoted securities in Malaysia		
Cagamas bonds	955,706	571,926
Private debt securities	766,669	1,925,271
	1,722,375	2,497,197
Total financial assets at FVTPL	**5,274,798**	**8,193,160**

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Money market instruments		
Bank Negara Malaysia bills	99,955	-
Malaysian Government securities	19,372,540	14,568,367
Negotiable instruments of deposits	1,549,813	2,199,855
	21,022,308	16,768,222
Unquoted securities in Malaysia		
Cagamas bonds	515,879	1,241,815
Private debt securities	803,760	2,157,330
	1,319,639	3,399,145
Total debt instruments at FVOCI	**22,341,947**	**20,167,367**

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

Group and Bank **2023**	**Stage 1** **12-month ECL** **RM'000**	**Stage 2** **Lifetime ECL non credit-impaired** **RM'000**	**Stage 3** **Lifetime ECL credit-impaired** **RM'000**	**Total ECL** **RM'000**
At 1 January	3,609	400	39,960	43,969
Allowance made	2,716	359	-	3,075
Maturity/settlement/repayment	(2,484)	(453)	-	(2,937)
Net total (Note 33)	232	(94)	-	138
At 31 December	3,841	306	39,960	44,107
2022				
At 1 January	7,617	4,596	39,960	52,173
Allowance made	1,771	154	-	1,925
Maturity/settlement/repayment	(5,779)	(4,350)	-	(10,129)
Net total (Note 33)	(4,008)	(4,196)	-	(8,204)
At 31 December	3,609	400	39,960	43,969

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Quoted securities		
Shares of corporations in Malaysia	941	924
Unquoted securities		
Shares of corporations in Malaysia (Note (a))	217,253	152,757
	218,194	153,681

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

9. Debt Instruments at Amortised Cost

	Group and Bank	
	2023 RM'000	2022 RM'000
Money market instruments		
Malaysian Government securities	7,918,507	6,654,658
Less: Allowances for ECL	(1,037)	(1,010)
	7,917,470	6,653,648
Unquoted securities in Malaysia		
Private debt securities	1,955,054	1,307,850
Less: Allowance for ECL	(21,452)	(23,905)
	1,933,602	1,283,945
Total debt instruments at amortised cost	**9,851,072**	**7,937,593**

9. Debt Instruments at Amortised Cost (Continued)

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

Group and Bank 2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	6,644	18,271	-	24,915
Transferred to Stage 1	17,650	(17,650)	-	-
Transferred to Stage 2	(3,574)	3,574	-	-
Net remeasurement of allowance	(17,689)	(4,049)	-	(21,738)
Allowance made	21,715	1,576	-	23,291
Maturity/settlement/repayment	(3,419)	(560)	-	(3,979)
Net total (Note 33)	14,683	(17,109)	-	(2,426)
At 31 December	21,327	1,162	-	22,489

2022				
At 1 January	1,629	146	-	1,775
Allowance made	6,686	18,223	-	24,909
Maturity/settlement/repayment	(1,671)	(98)	-	(1,769)
Net total (Note 33)	5,015	18,125	-	23,140
At 31 December	6,644	18,271	-	24,915

10. Other Assets

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other receivables, deposits and prepayments	1,171,851	1,015,396	1,171,640	1,015,230
Accrued interest/income receivables	381,878	302,630	381,878	302,630
Amount due from subsidiaries (Note (a))	-	-	11,311	5,259
Amount due from fellow subsidiaries (Note (b))	95	36	94	36
Amount due from holding company (Note (b))	24	72	24	72
Amount due from the ultimate holding company (Note (b))	2,307	1,336	2,307	1,336
Precious metal accounts (Note (c))	128,832	270,090	128,832	270,090
Less: Allowance for ECL (Note (d))	(5,514)	(12,762)	(5,516)	(12,761)
	1,679,473	1,576,798	1,690,570	1,581,892

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

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

(c) As at 31 December 2023, precious metal accounts comprise the following:

- Precious metals of the Bank which are directly sought from the gold market amounting to RM95,465,000 (2022: RM243,101,000); and

- The net balance due from customers of the Bank amounting to RM33,367,000 (2022: RM26,989,000); which are stated at the gross amounts loaned amounting to RM109,594,000 (2022: RM95,611,000) net of cash collateral received from the customers of RM76,227,000 (2022: RM68,622,000).

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

10. Other Assets (Continued)

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

Group	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	Total ECL
2023	RM'000	RM'000	RM'000	RM'000
At 1 January	5,193	7,569	-	12,762
Allowance made	1,665	2,772	-	4,437
Maturity/settlement/repayment	(3,990)	(7,889)	-	(11,879)
Exchange differences	130	64	-	194
Net total (Note 33)	(2,195)	(5,053)	-	(7,248)
At 31 December	2,998	2,516	-	5,514
2022				
At 1 January	1,580	4,914	-	6,494
Allowance made	4,900	5,317	-	10,217
Maturity/settlement/repayment	(1,287)	(2,662)	-	(3,949)
Net total (Note 33)	3,613	2,655	-	6,268
At 31 December	5,193	7,569	-	12,762

Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	Total ECL
2023	RM'000	RM'000	RM'000	RM'000
At 1 January	4,449	8,312	-	12,761
Allowance made	2,409	2,029	-	4,438
Maturity/settlement/repayment	(3,989)	(7,888)	-	(11,877)
Exchange differences	130	64	-	194
Net total (Note 33)	(1,450)	(5,795)	-	(7,245)
At 31 December	2,999	2,517	-	5,516
2022				
At 1 January	1,580	7,794	-	9,374
Allowance made	4,155	6,061	-	10,216
Maturity/settlement/repayment	(1,286)	(5,543)	-	(6,829)
Net total (Note 33)	2,869	518	-	3,387
At 31 December	4,449	8,312	-	12,761

11. Loans, Advances and Financing

At amortised cost	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Overdrafts	3,005,272	3,002,621	3,005,272	3,002,621
Term loans/financing and revolving credits:				
- Housing loans/financing	40,576,911	40,783,736	40,576,911	40,783,736
- Syndicated term loans/financing	2,470,981	2,648,989	2,470,981	2,648,989
- Other term loans/financing*	40,099,975	39,659,638	40,405,274	39,747,710
Credit card receivables	8,758,243	8,593,223	8,758,243	8,593,223
Bills receivables	445,140	182,025	445,140	182,025
Trust receipts	6,056,073	4,844,389	6,056,073	4,844,389
Claims on customers under acceptance credits	5,807,544	6,014,871	5,807,544	6,014,871
Staff loans	77,747	96,911	77,747	96,911
	107,297,886	105,826,403	107,603,185	105,914,475
Unearned interest/income	(158,022)	(148,700)	(158,022)	(148,700)
Gross loans, advances and financing	107,139,864	105,677,703	107,445,163	105,765,775
Allowance for ECL on loans, advances and financing:				
- Stage 1 - 12-month ECL	(355,716)	(551,907)	(357,818)	(553,562)
- Stage 2 - Lifetime ECL non credit-impaired	(1,405,055)	(1,173,643)	(1,405,055)	(1,173,643)
- Stage 3 - Lifetime ECL credit-impaired	(754,736)	(843,204)	(754,736)	(843,204)
Net loans, advances and financing	104,624,357	103,108,949	104,927,554	103,195,366

* Other term loans/financing include the following:

	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Loans/financing to subsidiaries:				
- UOB Properties Bhd	-	-	72,098	75,070
- UOB Properties (KL) Bhd	-	-	233,201	13,002
	-	-	305,299	88,072

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

	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Maturing within one year	32,777,500	30,509,145	33,082,799	30,597,217
One year to three years	7,926,300	6,749,366	7,926,300	6,749,366
Three years to five years	7,156,662	8,853,501	7,156,662	8,853,501
Over five years	59,279,402	59,565,691	59,279,402	59,565,691
	107,139,864	105,677,703	107,445,163	105,765,775

11. Loans, Advances and Financing (Continued)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(ii) Gross loans, advances and financing by type of customers:				
Domestic non-banking financial institutions:				
- Stockbroking companies	60,933	896	60,933	896
- Others	2,414,720	2,766,076	2,414,720	2,766,076
Domestic business enterprises:				
- Small and medium enterprises	22,867,827	21,931,110	22,867,827	21,931,110
- Others	20,395,273	18,928,145	20,700,572	19,016,217
Individuals	55,793,451	56,111,922	55,793,451	56,111,922
Foreign entities	5,607,660	5,939,554	5,607,660	5,939,554
	107,139,864	105,677,703	107,445,163	105,765,775

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(iii) Gross loans, advances and financing by interest/profit rate sensitivity:				
Fixed rate:				
- Housing loans/financing	98,205	40,681	98,205	40,681
- Other fixed rate loans/financing	16,634,675	16,455,359	16,634,675	16,455,359
Variable rate:				
- Base rate/base lending/financing rate-plus	61,458,530	61,888,440	61,458,530	61,888,440
- Cost-plus	28,468,767	26,738,319	28,774,066	26,826,391
- Other variable rates	479,687	554,904	479,687	554,904
	107,139,864	105,677,703	107,445,163	105,765,775

11. Loans, Advances and Financing (Continued)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(iv) Gross loans, advances and financing by economic sectors:				
Agriculture, hunting, forestry and fishing	1,335,990	1,681,068	1,335,990	1,681,068
Mining and quarrying	406,515	178,004	406,515	178,004
Manufacturing	9,602,567	8,989,408	9,602,567	8,989,408
Electricity, gas and water	1,360,121	725,720	1,360,121	725,720
Construction	7,569,748	7,077,326	7,569,748	7,077,326
Wholesale, retail trade, restaurants and hotels	14,454,181	14,629,046	14,454,181	14,629,046
Transport, storage and communication	3,576,063	2,206,084	3,576,063	2,206,084
Finance, insurance and business services	3,812,994	4,358,556	3,812,994	4,358,556
Real estate	4,116,900	4,340,077	4,422,199	4,428,149
Community, social and personal services	210,961	213,554	210,961	213,554
Households:				
- Purchase of residential properties	41,174,921	41,719,876	41,174,921	41,719,876
- Purchase of non-residential properties	7,656,018	7,968,500	7,656,018	7,968,500
- Others	11,862,885	11,590,484	11,862,885	11,590,484
	107,139,864	105,677,703	107,445,163	105,765,775
(v) Gross loans, advances and financing by geographical distribution:				
In Malaysia	101,532,204	99,738,149	101,837,503	99,826,221
Outside Malaysia	5,607,660	5,939,554	5,607,660	5,939,554
	107,139,864	105,677,703	107,445,163	105,765,775

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

	Group and Bank	
	2023 RM'000	2022 RM'000
At beginning of the financial year	2,833,180	2,394,946
Transfer from business acquisition	-	209,289
Classified as credit-impaired during the financial year	1,417,827	1,120,492
Amounts recovered	(473,051)	(348,581)
Reclassified as non credit-impaired	(354,291)	(265,614)
Amounts written-off	(591,874)	(277,352)
Gross credit-impaired loans, advances and financing	2,831,791	2,833,180
Less: Stage 3 - Lifetime ECL credit-impaired	(754,736)	(843,204)
Net credit-impaired loans, advances and financing	2,077,055	1,989,976
Ratio of net credit-impaired loans, advances and financing to gross loans, advances and financing less allowance for ECL on credit-impaired provisions	1.9%	1.9%

11. Loans, Advances and Financing (Continued)

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

Group	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	Total ECL
2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January	551,907	1,173,643	843,204	2,568,754
Transferred to Stage 1	94,797	(63,348)	(31,449)	-
Transferred to Stage 2	(15,771)	69,922	(54,151)	-
Transferred to Stage 3	(1,079)	(27,227)	28,306	-
Net remeasurement of allowance	(82,273)	52,417	412,825	382,969
Allowance made	154,136	292,929	149,237	596,302
Maturity/settlement/repayment	(345,440)	(93,488)	(109,631)	(548,559)
Exchange differences	(561)	207	-	(354)
Net total (Note 33)	(196,191)	231,412	395,137	430,358
Amounts written-off	-	-	(483,748)	(483,748)
Other movements	-	-	143	143
At 31 December	355,716	1,405,055	754,736	2,515,507
2022				
At 1 January	311,664	1,298,483	713,309	2,323,456
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	242,991	(223,574)	(19,417)	-
Transferred to Stage 2	(8,413)	20,743	(12,330)	-
Transferred to Stage 3	(2,077)	(23,460)	25,537	-
Net remeasurement of allowance	(180,282)	73,726	249,627	143,071
Allowance made	258,866	182,633	99,605	541,104
Maturity/settlement/repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total (Note 33)	140,277	(191,256)	293,212	242,233
Amounts written-off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	551,907	1,173,643	843,204	2,568,754

11. Loans, Advances and Financing (Continued)

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

Bank **2023**	**Stage 1** **12-month ECL** **RM'000**	**Stage 2** **Lifetime ECL non credit-impaired** **RM'000**	**Stage 3** **Lifetime ECL credit-impaired** **RM'000**	**Total ECL** **RM'000**
At 1 January	553,562	1,173,643	843,204	2,570,409
Transferred to Stage 1	94,797	(63,348)	(31,449)	-
Transferred to Stage 2	(15,771)	69,922	(54,151)	-
Transferred to Stage 3	(1,079)	(27,227)	28,306	-
Net remeasurement of allowance	(82,273)	52,417	412,825	382,969
Allowance made	154,136	292,929	149,237	596,302
Maturity/settlement/repayment	(344,993)	(93,488)	(109,631)	(548,112)
Exchange differences	(561)	207	-	(354)
Net total (Note 33)	(195,744)	231,412	395,137	430,805
Amounts written-off	-	-	(483,748)	(483,748)
Other movements	-	-	143	143
At 31 December	357,818	1,405,055	754,736	2,517,609

2022				
At 1 January	312,573	1,298,483	713,309	2,324,365
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	242,991	(223,574)	(19,417)	-
Transferred to Stage 2	(8,413)	20,743	(12,330)	-
Transferred to Stage 3	(2,077)	(23,460)	25,537	-
Net remeasurement of allowance	(180,282)	73,726	249,627	143,071
Allowance made	259,612	182,633	99,605	541,850
Maturity/settlement/repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total (Note 33)	141,023	(191,256)	293,212	242,979
Amounts written-off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	553,562	1,173,643	843,204	2,570,409

11. Loans, Advances and Financing (Continued)

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

	Group and Bank	
	2023 RM'000	**2022 RM'000**
Mining and quarrying	568	82,966
Manufacturing	120,231	190,171
Electricity, gas and water	38	-
Construction	696,605	658,515
Wholesale, retail trade, restaurants and hotels	326,426	340,269
Transport, storage and communication	42,475	42,748
Finance, insurance and business services	32,998	37,790
Real estate	224,104	197,546
Community, social and personal services	6,478	8,482
Households:		
- Purchase of residential properties	1,023,314	972,294
- Purchase of non-residential properties	163,853	158,602
- Others	194,701	143,797
	2,831,791	2,833,180

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

	Group and Bank	
	2023 RM'000	**2022 RM'000**
In Malaysia	2,721,477	2,697,129
Outside Malaysia	110,314	136,051
	2,831,791	2,833,180

12. Statutory Deposits with Bank Negara Malaysia

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

With effective from 16 May 2020, banks in Malaysia are allowed to use Malaysian Government Securities and Malaysian Government Investment Issues to fully meet the Statutory Reserve Requirement (SRR) compliance. Such flexibility is available until 31 December 2022 and the Bank had utilised such flexibility in prior years.

13. Investment in Subsidiaries

	Bank	
	2023 RM'000	**2022 RM'000**
Unquoted shares in Malaysia, at cost		
At 1 January/31 December	20	20
Redeemable preference shares in Malaysia, at cost		
At 1 January	570,000	530,000
Subscription of preference shares (Note (a))	-	40,000
Partial redemption of preference shares from a subsidiary (Note (b))	(220,000)	-
At 31 December	350,000	570,000
Total investment in subsidiaries	350,020	570,020

13. Investment in Subsidiaries (Continued)

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

	Paid-up capital	Group's effective interest		Principal activities
		2023	2022	
	RM	%	%	
UOB Properties (KL) Bhd* (held directly by UOB Properties Bhd)	2	100	100	Property investment holding and property management company
UOB Properties Bhd	7	100	100	Property holding company
UOBM Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOBM Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
UOB Credit Bhd	2	100	100	Dormant
UOB 2006 Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services

(a) In July 2017, the Board of UOB Properties (KL) Bhd approved the issuance of redeemable preference shares amounting to RM600,000,000 over the period from 1 July 2017 to 31 January 2021. Subsequently in March 2021, the Board of UOB Properties (KL) Bhd has approved the extension till 30 June 2023. As at 31 December 2022, the Bank has subscribed to 570,000,000 units of redeemable preference shares amounting to RM570,000,000. 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.

(b) In September 2023, the Board of UOB Properties (KL) Bhd approved the partial redemption of 220,000,000 units of Redeemable Preference Shares (RPS) amounting to RM220,000,000 subscribed by the Bank.

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

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

14. Investment in an Associate

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted shares, at cost	20,173	33,277	24,513	33,277
Balance brought forward	-	(3,775)	-	-
Partial return for investment in an associate	-	(8,764)	-	(8,764)
Share of net loss for the year	-	(565)	-	-
Share of post-acquisition deficit	-	(13,104)	-	(8,764)
	20,173	20,173	24,513	24,513
Accumulated impairment loss	(19,755)	(19,755)	(19,755)	(19,755)
	418	418	4,758	4,758

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

	Group's effective interest		Principal activities	Accounting model applied
	2023 %	2022 %		
Uni.Asia Capital Sdn Bhd ("Uni.Asia Capital")	49	49	Investment holding company	Equity

The unaudited summarised financial information of the associate as at 31 December is as presented below.

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

	2023 RM'000	2022 RM'000
Assets and liabilities		
Current assets	18,893	18,893
Total assets	18,893	18,893
Current liabilities	73	73
Total liabilities	73	73
Results		
Revenue	-	107
Loss before taxation	-	(1,129)
Loss for the year	-	(1,153)

At 31 December 2023, the amount of goodwill for Uni.Asia Capital included within the Group was RM19,755,000 (2022: RM19,755,000), all of which were allocated to the investment in an associate as a cash generating unit and it has been fully impaired.

15. Property, Plant and Equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2023								
Cost or valuation								
At 1 January:								
- At cost	-	-	-	289,076	722,562	7,863	183,628	1,203,129
- At valuation	193,516	97,246	758,353	-	-	-	-	1,049,115
	193,516	97,246	758,353	289,076	722,562	7,863	183,628	2,252,244
Additions	-	-	284	56,466	172,461	1,206	12,485	242,902
Revaluation deficit	-	-	(24)	-	-	-	-	(24)
Reclassifications	-	-	-	111,046	17	-	(111,063)	-
Disposals/write-off	-	-	-	(43,251)	(1,083)	(596)	(1,349)	(46,279)
At 31 December	193,516	97,246	758,613	413,337	893,957	8,473	83,701	2,448,843
Representing:								
- At cost	-	-	-	413,337	893,957	8,473	83,701	1,399,468
- At valuation	193,516	97,246	758,613	-	-	-	-	1,049,375
At 31 December	193,516	97,246	758,613	413,337	893,957	8,473	83,701	2,448,843
Accumulated depreciation								
At 1 January	-	24,672	153,826	183,505	466,403	4,837	-	833,243
Depreciation charge (Note 31)	-	1,313	28,343	33,081	84,453	964	-	148,154
Disposals/write-off	-	-	-	(34,991)	(1,044)	(558)	-	(36,593)
At 31 December	-	25,985	182,169	181,595	549,812	5,243	-	944,804
Impairment loss								
At 1 January	830	-	110,382	-	-	-	-	111,212
Write-back	-	-	(9,893)	-	-	-	-	(9,893)
At 31 December	830	-	100,489	-	-	-	-	101,319
Net carrying amount								
At cost	-	-	-	231,742	344,145	3,230	83,701	662,818
At valuation	192,686	71,261	475,955	-	-	-	-	739,902
At 31 December	192,686	71,261	475,955	231,742	344,145	3,230	83,701	1,402,720

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

15. Property, Plant and Equipment (Continued)

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
2023								
Cost								
At 1 January	-	-	-	265,054	722,222	7,861	183,611	1,178,748
Additions	-	-	-	56,052	172,407	1,207	11,586	241,252
Reclassifications	-	-	-	111,046	-	-	(111,046)	-
Disposals/write-off	-	-	-	(38,668)	(1,083)	(595)	(1,349)	(41,695)
At 31 December	-	-	-	393,484	893,546	8,473	82,802	1,378,305
Accumulated depreciation								
At 1 January	-	-	-	172,330	466,226	4,835	-	643,391
Depreciation charge (Note 31)	-	-	-	30,754	84,354	965	-	116,073
Disposals/write-off	-	-	-	(31,826)	(1,044)	(557)	-	(33,427)
At 31 December	-	-	-	171,258	549,536	5,243	-	726,037
Net carrying amount								
At 31 December	-	-	-	222,226	344,010	3,230	82,802	652,268
2022								
Cost								
At 1 January	-	-	-	232,874	617,141	6,927	87,799	944,741
Transfer from business acquisition	-	-	-	10,544	3,017	-	-	13,561
Additions	-	-	-	21,896	115,778	1,656	95,945	235,275
Disposals/write-off	-	-	-	(260)	(13,714)	(722)	(133)	(14,829)
At 31 December	-	-	-	265,054	722,222	7,861	183,611	1,178,748
Accumulated depreciation								
At 1 January	-	-	-	157,024	410,089	4,760	-	571,873
Depreciation charge (Note 31)	-	-	-	15,563	69,813	797	-	86,173
Disposals/write-off	-	-	-	(257)	(13,676)	(722)	-	(14,655)
At 31 December	-	-	-	172,330	466,226	4,835	-	643,391
Net carrying amount								
At 31 December	-	-	-	92,724	255,996	3,026	183,611	535,357

15. Property, Plant and Equipment (Continued)

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

	Group	
	2023 RM'000	2022 RM'000
Freehold land	88,064	88,064
Freehold buildings	519,926	530,861
Leasehold land and buildings	27,913	29,291
	635,903	648,216

16. Right-of-use Assets and Lease Liabilities

Group and Bank as lessee

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

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

	Buildings			
	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Right-of-use assets				
At 1 January	93,166	66,048	134,964	118,290
Transfer from business acquisition	-	40,278	-	40,278
Additions	3,881	8,969	420,377	7,112
Depreciation charge (Note 31)	(19,371)	(22,129)	(46,787)	(30,716)
At 31 December	77,676	93,166	508,554	134,964
Lease liabilities				
At 1 January	98,970	69,455	145,038	125,595
Transfer from business acquisition	-	41,724	-	41,724
Additions	3,340	7,522	420,089	5,665
Accretion of interest (Note 29)	2,849	720	22,787	1,749
Lease payments	(21,012)	(20,451)	(55,839)	(29,695)
At 31 December	84,147	98,970	532,075	145,038

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

Group and Bank as lessee (Continued)

The Group and the Bank have several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Bank's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease terms:

2023	Within 1 year RM'000	More than 1 year RM'000	Total RM'000
Group			
Extension options expected not to be exercised	4,488	6,163	10,651
Bank			
Extension options expected not to be exercised	4,488	12,652	17,140
2022			
Group			
Extension options expected not to be exercised	4,488	11,959	16,447
Bank			
Extension options expected not to be exercised	4,488	60,150	64,638

17. Intangible Assets

Group and Bank	Goodwill RM'000	Other intangible assets* RM'000	Total RM'000
2023			
Cost			
At 1 January	363,140	119,000	482,140
Finalisation of Acquisition of Citibank:			
Adjustment for the financial year	(583)	-	(583)
Transferred between categories	(12,000)	12,000	-
At 31 December	350,557	131,000	481,557
Accumulated amortisation			
At 1 January	-	(1,983)	(1,983)
Amortisation charged for the financial year	-	(13,300)	(13,300)
At 31 December	-	(15,283)	(15,283)
Net carrying amount			
At 31 December	350,557	115,717	466,274
2022			
Cost			
At 31 December	363,140	119,000	482,140
Accumulated amortisation			
Amortisation charged for the financial year	-	(1,983)	(1,983)
At 31 December	-	(1,983)	(1,983)
Net carrying amount			
At 31 December	363,140	117,017	480,157

*Comprising Core Deposit Intangibles and Customer Relationship

17. Intangible Assets (Continued)

Impairment tests for goodwill

Goodwill was allocated on the date of acquisition to the reportable business segments expected to benefit from the synergies of business combination. The recoverable amount of business segments are based on their value in use, computed by discounting the expected future cash flows of the segments. The key assumptions in computing the value in use include the discount rates and growth rates applied. Discount rates are estimated based on current market assessments of time value of money and risks specific to the asset. The terminal growth rate used does not exceed the historical long-term average growth rates. Cash flow projections are based on the most recent five-year financial forecasts provided by key business segments and approved by management. These cash flows are derived based on the outlook of macroeconomic conditions from external sources, in particular, interest rates and foreign exchange rates, taking into account management's past experience on the impact of such changes to the cash flows of the Bank. Long-term growth rates are imputed on fifth-year cash flow and then discounted to determine the terminal value. Key assumptions are as follows:

	2023
Discount rate	8.68%
Projected average growth rate	4.74%
Terminal growth rate	4.11%

18. Deferred Tax Assets/(Liabilities)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	330,118	232,142	344,713	262,147
Transfer from business acquisition	-	9,706	-	9,706
Transfer to goodwill	(9,706)	-	(9,706)	-
Deferred tax assets arising from fair value adjustment from business acquisition	-	2,761	-	2,761
Charged to the profit or loss (Note 34)	110,968	77,024	112,878	48,743
Deferred tax liabilities recognised on intangible assets arising from business acqusition	(2,440)	(29,000)	(2,440)	(29,000)
Recognised in OCI	(77,097)	37,485	(77,103)	50,356
At 31 December	351,843	330,118	368,342	344,713

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

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets, net	379,671	361,850	368,342	344,713
Deferred tax liabilities, net	(27,828)	(31,732)	-	-
	351,843	330,118	368,342	344,713

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

	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Deferred tax assets	497,176	395,601	575,429	378,653
Deferred tax liabilities	(145,333)	(65,483)	(207,087)	(33,940)
	351,843	330,118	368,342	344,713

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	Lease liabilities RM'000	Deferred income RM'000	Allowances for ECL RM'000	Total RM'000
2023					
At 1 January	139,303	23,753	8,790	223,755	395,601
Transfer to goodwill	(9,706)	-	-	-	(9,706)
Charged to profit or loss	86,071	(3,558)	(3,357)	32,125	111,281
At 31 December	215,668	20,195	5,433	255,880	497,176
2022					
At 1 January	77,069	30,143	15,027	187,068	309,307
Transfer from business acquisition	9,706	-	-	-	9,706
Deferred tax assets arising from fair value adjustment from business acquisition	2,761	-	-	-	2,761
Charged to profit or loss	49,767	(6,390)	(6,237)	36,687	73,827
At 31 December	139,303	23,753	8,790	223,755	395,601

18. 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 (Continued):

Deferred tax liabilities

Group	Other intangible assets RM'000	Property, plant and equipment RM'000	Right-of-use assets RM'000	FVOCI reserve RM'000	Total RM'000
2023					
At 1 January	28,517	69,385	22,360	(54,779)	65,483
Charged to profit or loss	(3,185)	7,215	(3,718)	-	312
Deferred tax liabilities recognised on intangible assets arising from business acqusition	2,440	-	-	-	2,440
Recognised in OCI	-	(6)	-	77,104	77,098
At 31 December	27,772	76,594	18,642	22,325	145,333
2022					
At 1 January	-	53,198	28,390	(4,423)	77,165
Charged to profit or loss	(483)	3,316	(6,030)	-	(3,197)
Deferred tax liabilities recognised on intangible assets arising from business acqusition	29,000	-	-	-	29,000
Recognised in OCI	-	12,871	-	(50,356)	(37,485)
At 31 December	28,517	69,385	22,360	(54,779)	65,483

Deferred tax assets

Bank	Provisions RM'000	Lease liabilities RM'000	Deferred income RM'000	Allowances for ECL RM'000	Total RM'000
2023					
At 1 January	111,298	34,809	8,790	223,756	378,653
Transfer to goodwill	(9,706)	-	-	-	(9,706)
Charged to profit or loss	84,825	92,889	(3,357)	32,125	206,482
At 31 December	186,417	127,698	5,433	255,881	575,429
2022					
At 1 January	74,088	30,143	15,027	187,069	306,327
Transfer from business acquisition	9,706	-	-	-	9,706
Deferred tax assets arising from fair value adjustment from business acquisition	2,761	-	-	-	2,761
Charged to profit or loss	24,743	4,666	(6,237)	36,687	59,859
At 31 December	111,298	34,809	8,790	223,756	378,653

18. 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 (Continued):

Deferred tax liabilities

Bank	Other intangible assets RM'000	Property, plant and equipment RM'000	Right-of-use assets RM'000	FVOCI reserve RM'000	Total RM'000
2023					
At 1 January	28,517	27,811	32,391	(54,779)	33,940
Charged to profit or loss	(3,185)	7,127	89,662	-	93,604
Deferred tax liabilities recognised on intangible assets arising from business acqusition	2,440	-	-	-	2,440
Recognised in OCI	-	-	-	77,103	77,103
At 31 December	27,772	34,938	122,053	22,324	207,087
2022					
At 1 January	-	20,213	28,390	(4,423)	44,180
Charged to profit or loss	(483)	7,598	4,001	-	11,116
Deferred tax liabilities recognised on intangible assets arising from business acqusition	29,000	-	-	-	29,000
Recognised in OCI	-	-	-	(50,356)	(50,356)
At 31 December	28,517	27,811	32,391	(54,779)	33,940

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

	Group	
	2023 RM'000	2022 RM'000
Unutilised tax losses	131	131
Unabsorbed capital allowances	70,282	65,398
	70,413	65,529

The unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group for another 10 consecutive years effective from Year of Assessment 2019. The unabsorbed capital allowances of the Group are not subject to 7 year limitation period and available indefinitely for offsetting against future taxable profits of the respective entities within the Group.

These utilisation of carried forward tax losses and allowances are also subject to no substantial change in shareholdings of those entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

19. Deposits From Customers

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Demand deposits #	36,069,211	34,027,354	36,099,516	34,042,154
Savings deposits	7,369,404	7,663,935	7,369,404	7,663,935
Fixed deposits #	68,984,194	66,085,077	68,984,194	66,085,077
Money market deposits	3,272,928	2,726,834	3,272,928	2,726,834
Others	338,464	381,609	339,307	382,274
	116,034,201	110,884,809	116,065,349	110,900,274

Demand deposits and fixed deposits include the following:

Demand deposits from subsidiaries:				
- UOB Properties Bhd	-	-	898	2,162
- UOB Properties (KL) Bhd	-	-	29,407	12,638
	-	-	30,305	14,800
Demand deposits from related companies:				
- UOB Centre of Excellence (M) Sdn Bhd	500	500	500	500
- Chung Khiaw Realty Limited	516	516	516	516
- UOB Asset Management (M) Bhd	-	32	-	32
	1,016	1,048	1,016	1,048

(i) The maturity structure of fixed deposits and money market deposits are as follows:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Due within six months	48,319,386	44,895,208	48,319,386	44,895,208
Six months to one year	23,523,417	21,163,510	23,523,417	21,163,510
One year to three years	16,188	25,820	16,188	25,820
Three years to five years	398,131	2,727,373	398,131	2,727,373
	72,257,122	68,811,911	72,257,122	68,811,911

19. Deposits From Customers (Continued)

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Business enterprises:				
- Subsidiaries	-	-	31,411	14,799
- Related companies	1,016	1,048	1,016	1,048
- Others	51,690,331	46,727,364	51,690,068	46,728,030
Individuals	61,573,994	61,615,090	61,573,994	61,615,090
Others	2,768,860	2,541,307	2,768,860	2,541,307
	116,034,201	110,884,809	116,065,349	110,900,274

20. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Licensed banks in Malaysia	4,001	316,320	4,001	316,320
Bank Negara Malaysia*	938,050	961,571	938,050	961,571
Other financial institutions**	13,073,114	15,060,725	13,073,134	15,060,725
	14,015,165	16,338,616	14,015,185	16,338,616

* Included in the deposits from BNM is an amount of RM346,842,183 (2022: RM229,601,000) placed by BNM for the purposes of funding the Fund for All Economic Sectors.

Also included herewith is an amount of RM590,909,000 (2022: RM636,570,000) relating to funds received under a government financing scheme for the purpose of SME lending at a below market and concession rate with remaining maturity of more than three years.

The amounts loaned to customers of the Bank are included in loans, advances and financing.

** Included in the deposits from other financial institutions are the deposit placement from the ultimate holding company amounting to RM12,663,046,000 (2022: RM13,991,516,000), deposit placement from subsidiaries amounting to RM20,000 (2022: RM20,000) and deposit placement from fellow subsidiaries amounting to RM440,000 (2022: RM441,500).

21. Other Liabilities

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Allowance for ECL on commitments and contingencies (Note (c))	205,265	162,475	205,265	162,475
Accrued interest payables	541,918	428,554	541,918	428,554
Accruals and provisions for operational expenses	702,074	978,416	699,582	976,316
Other payables and accruals (Note (a))	3,545,525	2,957,597	3,510,790	2,917,928
Deferred income (Note (b))	22,639	36,626	22,639	36,626
	5,017,421	4,563,668	4,980,194	4,521,899

(a) Included in other payables and accruals are 'Customer Gold Accounts' amounting to RM215,835,000 (2022: RM345,297,000).

(b) Included in deferred income in the previous financial year is upfront cash payment from a Bancassurance partnership signed in 2011 for a contractual 12 years period until 2023.

(c) Movements in the allowance for ECL on irrevocable commitments and contingencies are as follows:

Group and Bank 2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	64,764	37,458	60,253	162,475
Transferred to Stage 1	14,530	(14,530)	-	-
Transferred to Stage 2	(2,026)	2,026	-	-
Transferred to Stage 3	(1)	-	1	-
Net remeasurement of allowance	(11,270)	17,707	42	6,479
Allowance made	69,434	62,887	-	132,321
Maturity/settlement/repayment	(52,114)	(12,985)	(32,051)	(97,150)
Exchange differences	82	6	-	88
Net total (Note 33)	18,635	55,111	(32,008)	41,738
Other movements	-	-	1,052	1,052
	83,399	92,569	29,297	205,265

21. Other Liabilities (Continued)

(c) Movements in the allowance for ECL on irrevocable commitments and contingencies are as follows (Continued):

Group and Bank 2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	46,976	128,561	15,068	190,605
Transferred to Stage 1	76,092	(76,092)	-	-
Transferred to Stage 2	(1,782)	1,782	-	-
Net remeasurement of allowance	(47,739)	16,425	-	(31,314)
Allowance made	44,430	5,896	61,094	111,420
Maturity/settlement/repayment	(53,325)	(39,125)	(14,233)	(106,683)
Exchange differences	112	11	-	123
Net total (Note 33)	17,788	(91,103)	46,861	(26,454)
Other movements	-	-	(1,676)	(1,676)
At 31 December	64,764	37,458	60,253	162,475

22. Subordinated Bonds

(a) At amortised cost	Group and Bank 2023 RM'000	 2022 RM'000
RM600 million subordinated bond 2018/2028, at par	-	600,204
RM750 million subordinated bond 2020/2030, at par	749,728	746,523
RM1 billion subordinated bond 2022/2032, at par	1,000,000	1,000,000
	1,749,728	2,346,727
Accumulated fair value adjustment (gain) for subordinated bonds	(272)	(3,273)

22. Subordinated Bonds (Continued)

(i) On 25 July 2018, the Bank issued RM600 million Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) ("the Bond 1").

The Bond 1 bears interest at the rate of 4.80% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 1 may be redeemed at par at the option of the Bank, in part or in whole, on 25 July 2023 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 25 January and 25 July each year commencing 25 January 2019.

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

On 25 July 2023, the Bank has fully redeemed Bond 1.

(ii) On 3 August 2020, the Bank issued RM750 million Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) ("the Bond 2").

The Bond 2 bears interest at the rate of 3.00% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 2 may be redeemed at par at the option of the Bank, in part or in whole, on 1 August 2025 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 3 February and 3 August each year commencing 3 February 2021.

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

(iii) On 27 October 2022, the Bank issued RM1.0 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) ("the Bond 3").

The Bond 3 bears interest at the rate of 4.91% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 3 may be redeemed at par at the option of the Bank, in part or in whole, on 27 October 2027 or at any interest payment date thereafter.

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

The Bond 3 has been rated AA1 by Rating Agency Malaysia Bhd and it qualifies as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

22. Subordinated Bonds (Continued)

(iv) Fair value hedge

The Bank primarily uses interest rate swap to hedge the interest rate risk of the bonds.

As at 31 December 2023, the Group and the Bank had interest rate swap agreements in place with notional amount totalling RM750 million (31 December 2022: RM1,350 million).

The movements in fair value of the interest rate swaps of unrealised gain of RM3,001,000 (31 December 2022: unrealised loss of RM16,541,000) are recognised in trading and investment income during the period (Note 30).

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Gain/(loss) on hedging instrument	3,001	(16,541)
(Loss)/gain on the hedged item attributable to the hedged risk (Note 30)	(3,001)	16,541
	-	-

(b) An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2023 is as follow:

	Bank borrowings	
	2023 RM'000	2022 RM'000
At 1 January	2,346,727	1,363,268
Issuance during the year	-	1,000,000
Redemption during the year	(600,000)	-
Revaluation loss/(gain)	3,001	(16,541)
At 31 December	1,749,728	2,346,727

23. Share Capital

	Group and Bank 2023		Group and Bank 2022	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid ordinary shares				
At 1 January/At 31 December	470,000	792,555	470,000	792,555

24. Reserves

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Non-distributable					
Revaluation reserve	(a)	233,477	233,495	-	-
FVOCI reserve		79,393	(166,561)	72,490	(173,464)
		312,870	66,934	72,490	(173,464)
Distributable					
Retained profits	(b)	12,996,815	11,447,521	13,159,032	11,616,857
Total reserves		13,309,685	11,514,455	13,231,522	11,443,393

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

(b) The Bank may distribute dividends out of its entire retained profits as at 31 December 2023 under the single-tier system.

25. Financial Derivatives

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

25. Financial Derivatives (Continued)

The fair values of the financial derivatives are as follows:

Group and Bank	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2023			
Trading derivatives			
Foreign exchange contracts:			
- Forwards	16,996,190	132,797	170,184
- Swaps	72,521,173	641,353	683,383
- Options	722,176	7,385	964
Interest rate contracts:			
- Swaps	73,482,618	562,080	623,014
- Futures	114,084	-	228
- Options	21,851	-	78
Equity-related contracts:			
- Options	83,057	980	4,377
Commodity contracts:			
- Swaps	346,689	10,139	9,617
- Futures	41,875	615	697
Credit derivative contracts:			
- Swaps	6,010	-	186
Hedging derivatives			
Interest rate contracts:			
- Swaps	750,000	-	272
		1,355,349	1,493,000
2022			
Trading derivatives			
Foreign exchange contracts:			
- Forwards	14,869,880	168,484	248,269
- Swaps	64,592,840	717,739	1,312,052
- Options	1,665,390	14,094	13,562
Interest rate contracts:			
- Swaps	67,832,678	707,660	702,273
- Futures	183,442	1,336	320
Equity-related contracts:			
- Options	22,343	19	1,285
Commodity contracts:			
- Swaps	137,168	9,700	2,401
- Futures	92,507	1,638	2,620
- Options	42,000	2,682	871
Hedging derivatives			
Interest rate contracts:			
- Swaps	1,350,000	182	3,477
		1,623,534	2,287,130

25. Financial Derivatives (Continued)

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

26. Fair Value of Assets and Liabilities

(a) Determination of fair value and fair value hierarchy

Where available, quoted and observable market prices are used as the measure of fair value. Where quoted and observable market prices are not available, fair value is estimated based on a range of methodologies and assumptions, the principal ones being as follows:

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

(ii) Fair value of precious metals is determined based on prevailing quoted market prices from the London Bullion Market Association.

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

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

Level 1 - Unadjusted quoted prices in active market for identical financial instruments.

Level 2 - Inputs other than quoted prices that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data.

26. Fair Value of Assets and Liabilities (Continued)

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Assets				
Financial assets at FVTPL	38,557	5,236,241	-	5,274,798
Debt instruments at FVOCI	19,372,539	2,969,408	-	22,341,947
Equity instruments at FVOCI	941	-	217,253	218,194
Derivative financial assets	-	1,355,349	-	1,355,349
Precious metal accounts	128,832	-	-	128,832
Land and buildings	-	-	739,902	739,902
Total	19,540,869	9,560,998	957,155	30,059,022
Liabilities				
Customer gold accounts	215,835	-	-	215,835
Derivative financial liabilities	-	1,493,000	-	1,493,000
Total	215,835	1,493,000	-	1,708,835
2022				
Assets				
Financial assets at FVTPL	896,067	7,297,093	-	8,193,160
Debt instruments at FVOCI	14,568,367	5,599,000	-	20,167,367
Equity instruments at FVOCI	924	-	152,757	153,681
Derivative financial assets	-	1,623,534	-	1,623,534
Precious metal accounts	270,090	-	-	270,090
Land and buildings	-	-	759,405	759,405
Total	15,735,448	14,519,627	912,162	31,167,237
Liabilities				
Customer gold accounts	345,297	-	-	345,297
Derivative financial liabilities	-	2,287,130	-	2,287,130
Total	345,297	2,287,130	-	2,632,427

26. Fair Value of Assets and Liabilities (Continued)

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

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Assets				
Financial assets at FVTPL	38,557	5,236,241	-	5,274,798
Debt instruments at FVOCI	19,372,539	2,969,408	-	22,341,947
Equity instruments at FVOCI	941	-	217,253	218,194
Derivative financial assets	-	1,355,349	-	1,355,349
Precious metal accounts	128,832	-	-	128,832
Total	19,540,869	9,560,998	217,253	29,319,120
Liabilities				
Customer gold accounts	215,835	-	-	215,835
Derivative financial liabilities	-	1,493,000	-	1,493,000
Total	215,835	1,493,000	-	1,708,835
2022				
Assets				
Financial assets at FVTPL	896,067	7,297,093	-	8,193,160
Debt instruments at FVOCI	14,568,367	5,599,000	-	20,167,367
Equity instruments at FVOCI	924	-	152,757	153,681
Derivative financial assets	-	1,623,534	-	1,623,534
Precious metal accounts	270,090	-	-	270,090
Total	15,735,448	14,519,627	152,757	30,407,832
Liabilities				
Customer gold accounts	345,297	-	-	345,297
Derivative financial liabilities	-	2,287,130	-	2,287,130
Total	345,297	2,287,130	-	2,632,427

26. Fair Value of Assets and Liabilities (Continued)

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

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

The fair value of the subordinated bonds is estimated based on prevailing market rates of the subordinated bonds of similar credit risks and maturity. The fair value of the bonds is estimated based on independent brokers' quotations.

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

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

	2023		2022	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Assets				
Gross loans, advances and financing	107,139,864	104,353,512	105,677,703	103,742,645
Gross debt instruments at amortised cost	9,873,561	10,066,980	7,962,508	7,994,376
	117,013,425	114,420,492	113,640,211	111,737,021
Liabilities				
Subordinated bonds	1,749,728	1,763,283	2,346,727	2,282,608
Bank				
Assets				
Gross loans, advances and financing	107,445,163	104,658,811	105,765,775	103,830,716
Gross debt instruments at amortised cost	9,873,561	10,066,980	7,962,508	7,994,376
	117,318,724	114,725,791	113,728,283	111,825,092
Liabilities				
Subordinated bonds	1,749,728	1,763,283	2,346,726	2,282,608

26. Fair Value of Assets and Liabilities (Continued)

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Assets				
Gross loans, advances and financing	-	104,353,512	-	104,353,512
Gross debt instruments at amortised cost	-	10,066,980	-	10,066,980
	-	114,420,492	-	114,420,492
Liabilities				
Subordinated bonds	-	1,763,283	-	1,763,283
2022				
Assets				
Gross loans, advances and financing	-	103,742,645	-	103,742,645
Gross debt instruments at amortised cost	-	7,994,376	-	7,994,376
	-	111,737,021	-	111,737,021
Liabilities				
Subordinated bonds	-	2,282,608	-	2,282,608

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Assets				
Gross loans, advances and financing	-	104,658,811	-	104,658,811
Gross debt instruments at amortised cost	-	10,066,980	-	10,066,980
	-	114,725,791	-	114,725,791
Liabilities				
Subordinated bonds	-	1,763,283	-	1,763,283
2022				
Assets				
Gross loans, advances and financing	-	103,830,716	-	103,830,716
Gross debt instruments at amortised cost	-	7,994,376	-	7,994,376
	-	111,825,092	-	111,825,092
Liabilities				
Subordinated bonds	-	2,282,608	-	2,282,608

26. Fair Value of Assets and Liabilities (Continued)

(d) Fair values of financial instruments carried at cost or amortised cost

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

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

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

Reconciliation of fair value/revalued amount:

	Group and Bank	Group
2023	**Equity instruments at FVOCI: unquoted securities RM'000**	**Land and buildings RM'000**
At 1 January	152,757	759,405
Recognised in OCI	64,496	-
Depreciation (recognised in other operating expenses)	-	(29,656)
Additions	-	284
Write-back of impairment loss	-	9,893
Revaluation deficit	-	(24)
At 31 December	217,253	739,902
2022		
At 1 January	155,420	258,476
Recognised in OCI	(2,663)	-
Depreciation (recognised in other operating expenses)	-	(28,713)
Additions	-	40,172
Reclassification from capital work-in-progress	-	539,085
Impairment loss	-	(103,246)
Revaluation gain	-	53,631
At 31 December	152,757	759,405

Equity instruments at FVOCI: unquoted securities

Unquoted securities are revalued using the Cost/Asset Based Approach, specifically the Adjusted Net Assets Method. This method uses the assets and liabilities on the statements of financial position of the respective unquoted securities' audited financial statements as at 31 December 2022 and 2021 by adopting the fair value of each item as disclosed in the notes to the accounts, where applicable.

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

26. Fair Value of Assets and Liabilities (Continued)

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

Land and buildings

Land and buildings were revalued on 19 December 2023 by Knight Frank Malaysia Sdn Bhd and Khong and Jaafar Sdn Bhd, registered valuers, by using a market comparison approach or using a combination of comparable sales and investment approaches. The previous valuation was performed on 15 October 2022.

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

Area	Significant unobservable valuation input	Range
Central	Price per square metre	RM2,989 - RM13,151
North	Price per square metre	RM2,520 - RM6,143
South	Price per square metre	RM1,560 - RM11,148
East Coast	Price per square metre	RM2,525 - RM4,818
East Malaysia	Price per square metre	RM2,975 - RM5,904

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

(f) Fair value of financial instruments that is carried at cost and which the fair value cannot be reliably measured

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

27. Operating Revenue

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

28. Interest Income

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Loans, advances and financing	4,934,537	3,416,709	4,941,236	3,419,535
Credit-impaired loans, advances and financing	74,788	64,848	74,788	64,848
Money at call and deposit placements with financial institutions	319,896	313,757	319,896	313,759
Financial assets at FVTPL	209,927	129,209	209,927	129,209
Debt instruments at FVOCI	810,820	694,259	810,820	694,259
Debt instruments at amortised cost	351,915	151,626	351,915	151,626
	6,701,883	4,770,408	6,708,582	4,773,236
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	21,532	35,827	21,532	35,827
- Debt instruments at FVOCI	(106,121)	(117,870)	(106,121)	(117,870)
- Debt instruments at amortised cost	5,185	3,726	5,185	3,726
	6,622,479	4,692,091	6,629,178	4,694,919

29. Interest Expense

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deposits from customers	2,778,486	1,642,927	2,778,916	1,643,323
Deposits and placements of banks and other financial institutions	846,334	328,413	846,334	328,413
Subordinated bonds	86,894	49,342	86,894	49,342
Lease liabilities (Note 16)	2,849	720	22,787	1,749
Others	51,861	11,382	51,966	11,382
	3,766,424	2,032,784	3,786,897	2,034,209

30. Other Operating Income

	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Fee income:				
- Commission	258,416	265,874	258,416	265,874
- Guarantee fees	91,080	85,115	91,115	85,155
- Service charges and fees	551,331	289,875	551,730	290,273
Less: Fee expenses	(205,526)	(109,291)	(205,526)	(109,291)
	345,805	180,584	346,204	180,982
- Commitment fees	28,282	29,199	28,892	29,202
- Arrangement and participation fees	27,171	25,131	27,171	25,131
	750,754	585,903	751,798	586,344
Trading and investment income:				
- (Loss)/gain from sale of financial assets at FVTPL	(11,140)	29,888	(11,140)	29,888
- Unrealised gain/(loss) on financial assets at FVTPL	25,633	(3,451)	25,633	(3,451)
- Loss from trading derivatives	(183,890)	(23,065)	(183,890)	(23,065)
- Unrealised gain from trading derivatives	88,144	48,586	88,144	48,586
- Unrealised (loss)/gain on fair value adjustment for subordinated bonds (Note 22(d))	(3,001)	16,541	(3,001)	16,541
- Gain from sale of precious metals	2,188	723	2,188	723
- Unrealised (loss)/gain from revaluation of precious metals	(30)	2,370	(30)	2,370
- Gain from sale of debt instruments at FVOCI	86,978	40,216	86,978	40,216
- Gross dividends from equity instruments at FVOCI	2,241	960	2,241	960
	7,123	112,768	7,123	112,768
Other income:				
- Foreign exchange gain, net	792,226	330,607	792,226	330,607
- Rental income from operating leases	1,462	150	-	-
- Gain on disposal of property, plant and equipment	42	-	42	-
- Others	23,509	20,528	21,577	19,380
	817,239	351,285	813,845	349,987
	1,575,116	1,049,956	1,572,766	1,049,099

31. Other Operating Expenses

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Personnel expenses	1,265,040	898,493	1,259,308	893,153
Establishment related expenses	707,794	523,510	701,504	509,185
Promotion and marketing related expenses	159,111	53,326	159,080	53,318
General administrative expenses*	246,256	820,865	241,021	819,745
	2,378,201	2,296,194	2,360,913	2,275,401
Personnel expenses:				
- Wages, salaries and bonus	979,255	693,973	974,578	689,660
- Defined contribution plan	147,081	106,954	146,357	106,301
- Other employee benefits	138,704	97,566	138,373	97,192
	1,265,040	898,493	1,259,308	893,153
Establishment related expenses:				
- Depreciation of property, plant and equipment (Note 15)	148,154	117,142	116,073	86,173
- Depreciation of right-of-use assets (Note 16)	19,371	22,129	46,787	30,716
- Amortisation of intangible assets (Note 17)	13,300	1,983	13,300	1,983
- Information technology costs	349,932	268,330	349,932	268,328
- Repair and maintenance	69,854	51,632	70,331	52,012
- Short-term lease expenses	2,554	266	6,051	8,370
- Others	104,629	62,028	99,030	61,603
	707,794	523,510	701,504	509,185
Promotion and marketing related expenses:				
- Advertising and publicity	159,111	53,326	159,080	53,318
*Included in general administrative expenses are:				
- Fees and commissions paid	311,513	81,955	310,835	80,912
- Auditors' remuneration:				
- Statutory audit	1,624	1,703	1,581	1,661
- Assurance related services	287	27	287	27
	1,911	1,730	1,868	1,688

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

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

	Group and Bank	
	2023 RM'000	2022 RM'000
Chief Executive Officer		
- Salary and other remuneration	1,984	1,504
- Bonus	1,260	2,190
- Benefits-in-kind	864	2,255
Non-executive directors		
- Fees	861	861
Shariah Committee members (Note 48(r))	327	287
	5,296	7,097

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	
	2023	2022
Chief Executive Officer		
RM1 to RM6,000,000	1	2
Non-executive directors		
RM1 to RM100,000	-	-
RM100,001 to RM300,000	4	4

32. Chief Executive Officer, Non-Executive Directors and Shariah Committee Members' Remuneration (Continued)

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

	Remuneration received from the Bank				
2023	Salary and other remuneration RM'000	Fees RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer					
Ng Wei Wei	1,984	-	1,260	864	4,108
Non-executive directors					
Ching Yew Chye	-	195	-	-	195
Fatimah Binti Merican (retired on 2 Nov 2023)	-	196	-	-	196
Dato' Jeffrey Ng Tiong Lip (retired on 15 Jun 2023)	-	275	-	-	275
Arthur Chin Shoon Chong (appointed on 10 April 2023)	-	-	-	-	-
Tunku Alina Raja Muhd Alias (appointed on 1 Sep 2023)	-	-	-	-	-
Datuk Phang Ah Tong (resigned on 15 Feb 2023)	-	195	-	-	195
	1,984	861	1,260	864	4,969
2022					
Chief Executive Officer					
Ng Wei Wei	947	-	-	624	1,571
Wong Kim Choong	557	-	2,190	1,631	4,378
Non-executive directors					
Dato' Jeffrey Ng Tiong Lip	-	275	-	-	275
Fatimah Binti Merican	-	196	-	-	196
Ching Yew Chye	-	195	-	-	195
Datuk Phang Ah Tong	-	195	-	-	195
	1,504	861	2,190	2,255	6,810

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Allowance for/(write-back of) ECL on loans, advances and financing (Note 11(vi)):				
- Stage 1 ECL	(196,191)	140,277	(195,744)	141,023
- Stage 2 ECL	231,412	(191,256)	231,412	(191,256)
- Stage 3 ECL	395,137	293,212	395,137	293,212
	430,358	242,233	430,805	242,979
Credit-impaired loans, advances and financing:				
- Written-off	121,035	59,582	121,035	59,582
- Recovered	(259,144)	(132,022)	(259,144)	(132,022)
	292,249	169,793	292,696	170,539
(Write-back of)/allowance for ECL on other financial assets:				
- Stage 1 ECL	19,706	(19,881)	20,451	(20,625)
- Stage 2 ECL	(22,256)	16,584	(22,998)	14,447
	(2,550)	(3,297)	(2,547)	(6,178)
Allowance for/(write-back of) ECL on commitments and contingencies (Note 21 (c)):				
- Stage 1 ECL	18,635	17,788	18,635	17,788
- Stage 2 ECL	55,111	(91,103)	55,111	(91,103)
- Stage 3 ECL	(32,008)	46,861	(32,008)	46,861
	41,738	(26,454)	41,738	(26,454)
	331,437	140,042	331,887	137,907

34. Income Tax Expense

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current tax:				
- Malaysian income tax in respect of current financial year	492,404	761,679	492,041	759,422
- Over provision in prior financial years	(29,713)	(5,648)	(29,500)	(4,686)
	462,691	756,031	462,541	754,736
Deferred tax (Note 18):				
- Relating to origination and reversal of temporary differences	(115,514)	(78,217)	(116,848)	(49,902)
- Over provision in prior financial years	4,546	1,193	3,970	1,159
	(110,968)	(77,024)	(112,878)	(48,743)
Total income tax expense	351,723	679,007	349,663	705,993

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 33%, for chargeable income exceeding RM100 million) 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation	1,901,017	1,316,949	1,891,838	1,444,234
Taxation at Malaysian statutory tax rate of 24%	456,244	316,068	454,041	346,616
Effects of prosperity tax	-	200,570	-	200,570
Effects of income not subject to tax	(99,112)	(252)	(98,319)	(252)
Effects of expenses not deductible for tax purposes	18,586	152,226	19,471	162,586
Over provision of current tax expense in prior financial years	(29,713)	(5,648)	(29,500)	(4,686)
Over provision of deferred tax in prior financial years	4,546	1,193	3,970	1,159
Deferred tax asset not recognised	1,172	14,850	-	-
Income tax expense for the financial year	351,723	679,007	349,663	705,993

35. Earnings Per Share

The basic/diluted earnings per ordinary share of the Group has been calculated based on the profit for the year attributable to ordinary shareholders of the Group of RM1,549,294,000 (2022: RM637,942,000) and on the number of issued and fully paid ordinary shares during the year of 470,000,000 (2022: 470,000,000).

36. Dividends

	Group and Bank 2023		Group and Bank 2022	
	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
Proposed final dividend for the current financial year	164.1	771,270	-	-

At the forthcoming Annual General Meeting, a final single-tier dividend of 164.1 sen in respect of the financial year ended 31 December 2023 on 470,000,000 issued and fully paid ordinary shares, amounting to dividend payable of RM771,270,000, 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 2024.

37. Significant Related Party Transactions and Balances

(a) Related parties and relationships

The related parties of and their relationship with the Bank (other than those disclosed in Notes 13 and 14) are as follows:

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

Key management personnel

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

37. Significant Related Party Transactions and Balances (Continued)

(b) Related parties transactions

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

2023	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	4,681	-	6,699	-	207	369
- Commission income	-	-	35	-	-	5,233
- Service charge income	3,445	24	399	-	-	22
- Other income	4,494	-	683	-	-	469
	12,620	24	7,816	-	207	6,093
Expenditure:						
- Interest on deposits	683,667	-	431	-	1,123	-
- Interest expense from lease liabilities	-	-	20,042	-	-	-
- Other expenses	342,259	-	36,581	-	-	-
	1,025,926	-	57,054	-	1,123	-
Assets:						
- Cash and short-term funds	283,709	-	-	-	-	18,843
- Loans, advances and financing	-	-	305,298	-	7,342	10,031
- Other assets	2,307	24	11,311	24,513	-	94
- Right-of-use assets	-	-	430,879	-	-	-
	286,016	24	747,488	24,513	7,342	28,968
Liabilities:						
- Deposits from customers	-	-	31,411	1,007	58,799	1,016
- Deposits and placements of banks and other financial institutions	12,663,046	-	20	-	-	440
- Other liabilities	167,331	-	-	-	-	-
- Lease liabilities	-	-	447,929	-	-	-
	12,830,377	-	479,360	1,007	58,799	1,456

37. Significant Related Party Transactions and Balances (Continued)

(b) Related parties transactions (Continued)

2022	Ultimate holding company RM'000	Holding company RM'000	Subsidiaries RM'000	An associate RM'000	Key management personnel RM'000	Fellow subsidiaries RM'000
Income:						
- Interest on placements, loans and advances	6,342	-	2,829	-	164	275
- Commission income	-	-	41	-	-	7,081
- Service charge income	2,591	24	399	-	-	20
- Other income	4,058	-	3	-	-	439
	12,991	24	3,272	-	164	7,815
Expenditure:						
- Interest on deposits	225,820	-	396	107	788	4
- Interest expense from lease liabilities	-	-	1,028	-	-	-
- Other expenses	265,065	-	20,057	-	-	-
	490,885	-	21,481	107	788	4
Assets:						
- Cash and short-term funds	321,926	-	-	-	-	19,757
- Loans, advances and financing	-	-	88,072	-	5,098	10,016
- Other assets	1,336	72	5,259	24,513	-	36
- Right-of-use assets	-	-	41,798	-	-	-
	323,262	72	135,129	24,513	5,098	29,809
Liabilities:						
- Deposits from customers	-	-	15,465	1,026	69,727	1,047
- Deposits and placements of banks and other financial institutions	13,991,516	-	20	-	-	441
- Other liabilities	142,547	-	-	-	-	-
- Lease liabilities	-	-	46,068	-	-	-
	14,134,063	-	61,553	1,026	69,727	1,488

37. Significant Related Party Transactions and Balances (Continued)

(b) Related parties transactions (Continued)

The remuneration of key management personnel included in the profit or loss is as follows:

	Group and Bank	
	2023 RM'000	2022 RM'000
Short-term employee benefits	30,554	27,715
Post employment benefits: defined contribution plan	3,470	3,022
Share-based payment*	7,772	6,884
	41,796	37,621

*In prior financial years, key management personnel of the Bank were granted options to subscribe in shares of the ultimate holding company under the UOB Share Plan. As at 31 December 2023, the number of options held by key management personnel were 205,416 (2022: 233,029).

38. Commitments and Contingencies

Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2023			
Direct credit substitutes	4,447,896	4,333,183	2,819,021
Transaction-related contingent items	7,254,064	3,607,797	2,068,013
Short-term self-liquidating trade-related contingencies	647,859	136,698	80,596
Lending of banks' securities or the posting of securities as collateral by banks	2,966,026	49,557	2,894
Foreign exchange related contracts:			
- Not more than one year	88,836,700	1,936,509	279,242
- More than one year to less than five years	1,269,706	109,026	73,156
- Five years and above	133,133	15,108	14,072
Interest rate related contracts:			
- Not more than one year	26,089,235	360,616	54,090
- More than one year to less than five years	46,447,817	1,698,207	465,553
- Five years and above	1,831,501	179,315	83,115
Equity related contracts:			
- Not more than one year	68,614	2,207	155
- More than one year to less than five years	14,443	1,708	171
Commodity related contracts:			
- Not more than one year	388,564	40,004	10,343
Credit derivative contracts:			
- Not more than one year	6,010	601	81
Undrawn credit facilities:			
- Not more than one year	24,657,936	1,159,930	250,736
- More than one year	7,212,540	5,006,151	3,065,064
- Unconditionally cancellable	37,437,734	8,969,020	3,715,309
Other commitments	563,337	47,866	47,866
	250,273,115	27,653,503	13,029,477

38. Commitments and Contingencies (Continued)

Bank	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
2023			
Direct credit substitutes	4,447,896	4,333,183	2,819,021
Transaction-related contingent items	7,254,064	3,607,797	2,068,013
Short-term self-liquidating trade-related contingencies	647,859	136,698	80,596
Lending of banks' securities or the posting of securities as collateral by banks	2,966,026	49,557	2,894
Foreign exchange related contracts:			
- Not more than one year	88,836,700	1,936,509	279,242
- More than one year to less than five years	1,269,706	109,026	73,156
- Five years and above	133,133	15,108	14,072
Interest rate related contracts:			
- Not more than one year	26,089,235	360,616	54,090
- More than one year to less than five years	46,447,817	1,698,207	465,553
- Five years and above	1,831,501	179,315	83,115
Equity related contracts:			
- Not more than one year	68,614	2,207	155
- More than one year to less than five years	14,443	1,708	171
Commodity related contracts:			
- Not more than one year	388,564	40,004	10,343
Credit derivative contracts:			
- Not more than one year	6,010	601	81
Undrawn credit facilities:			
- Not more than one year	24,657,936	1,159,930	250,736
- More than one year	7,212,540	5,006,151	3,065,065
- Unconditionally cancellable	37,437,734	8,969,020	3,715,309
Other commitments	563,197	47,725	47,725
	250,272,975	27,653,362	13,029,337

38. Commitments and Contingencies (Continued)

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

39. Capital Commitments

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Capital expenditure for property, plant and equipment:				
- Authorised and contracted for	47,865	57,381	47,725	57,381

40. Financial Risk Management

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

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

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

40.1 Credit Risk

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

(a) Credit risk management

The Credit Management Committee supports the CEO and Board of Directors in managing the credit risk exposures of the Group and the Bank. It serves as an executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and system.

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

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(a) Credit risk management (Continued)

Maximum exposure to credit risk

Group	2023 RM'000	2022 RM'000
Cash and short-term funds	5,237,169	7,690,591
Deposits and placements with financial institutions	799,826	-
Securities purchased under resale agreements	459,320	333,751
Financial assets at FVTPL	5,274,798	8,193,160
Debt instruments at FVOCI	22,341,947	20,167,367
Debt instruments at amortised cost	9,851,072	7,937,593
Other assets	686,999	858,934
Derivative financial assets	1,355,349	1,623,534
Loans, advances and financing	104,624,357	103,108,949
Statutory deposits with BNM	1,567,533	1,815,933
Total gross financial assets	152,198,370	151,729,812
Financial assets not subject to credit risk	3,539,597	3,114,925
	155,737,967	154,844,737
Commitments and contingencies	250,273,115	232,548,810

Bank	2023 RM'000	2022 RM'000
Cash and short-term funds	5,237,169	7,690,591
Deposits and placements with financial institutions	799,826	-
Securities purchased under resale agreements	459,320	333,751
Financial assets at FVTPL	5,274,798	8,193,160
Debt instruments at FVOCI	22,341,947	20,167,367
Debt instruments at amortised cost	9,851,072	7,937,593
Other assets	686,999	858,934
Derivative financial assets	1,355,349	1,623,534
Loans, advances and financing	104,927,554	103,195,366
Statutory deposits with BNM	1,567,533	1,815,933
Total gross financial assets	152,501,567	151,816,229
Financial assets not subject to credit risk	3,572,278	2,946,608
	156,073,845	154,762,837
Commitments and contingencies	250,272,975	232,548,810

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(a) Credit risk management (Continued)

Maximum exposure to credit risk (Continued)

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

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The collaterals accepted are mainly properties, cash and marketable securities. We have in place policies and processes to monitor collateral concentration.

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

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

Exposures arising from foreign exchange, derivatives and securities financing transactions are mitigated through agreements such as the International Swaps and Derivatives Association Master Agreements, the Credit Support Annex and the Global Master Repurchase Agreements. Such agreements help to minimise credit exposure by allowing the Bank to offset what is owed to a counterparty against what is due from that counterparty in the event of a default.

(b) Expected credit loss measurement

(i) Definition of default and cure

The Group and the Bank classify a loan or advance or financing as credit-impaired when there is objective evidence that the loan or advance or financing is credit-impaired.

The details of the default definition is as disclosed in Note 2.4(d)(i).

(ii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower or obligor defaulting on its financial obligation (as per definition of default above), either over the next 12 months, or over the remaining lifetime of the obligation;

- EAD is based on the amounts the Group and the Bank expect to be owed at the time of default, over the next 12 months or over the remaining lifetime of the obligation; and

- LGD represents the Group's and the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis.

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(b) Expected credit loss measurement (Continued)

(ii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

The ECL is determined by projecting the PD, EAD and LGD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. The discount rate used in the ECL calculation is the original effective interest rate or effective profit rate or an approximation thereof.

Information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group and the Bank use external and internal information to generate a "base case" and "downturn" scenario which considers forecast economic variables, based on assigned probability weights determined by the Group and the Bank. The Group and the Bank have performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The macroeconomic variables (MEV) considered include gross domestic product (GDP), house price index (HPI), Kuala Lumpur Composite Index (KLCI), consumer price index (CPI), base lending rates (BLR), production price index (PPI), and unemployment rates.

The MEV data is obtained from Bank Negara Malaysia and in-house economist, which GDP forecast range from -2.8% to 4.8% (2022: -4.1% to 5.5%); CPI forecast range from 2.3% to 4.5% (2022: -0.6% to 6.5%); BLR range from 6.1% to 6.8% (2022: 6.0% to 7.1%); HPI forecast range from -4.0% to 4.0% (2022: -5.0% to 5.0%); PPI forecast range from -3.0% to 4.0% (2022: -4.0% to 10.4%); KLCI forecast range from -50.0% to 40.0% (2022: -50.0% to 40.0%); and unemployment rates range from 3.2% to 4.5% (2022: 3.3% to 5.0%).

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process.

(iii) Significant increase in credit risk (SICR)

The Group and the Bank continuously monitor all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group and the Bank assess whether there has been a SICR since initial recognition. The Group and the Bank consider an exposure to have significantly increased in credit risk when an instrument triggered the quantitative, qualitative or backstop criteria.

(iv) Grouping of financial assets measured on a collective basis

When estimating ECLs on a collective basis for a group of similar assets, the Group and the Bank apply the same principles for assessing whether there has been a SICR since initial recognition.

Asset classes where the Group and the Bank calculate ECL on an individual basis includes all Stage 3 financial assets.

Asset classes where the Group and the Bank calculate ECL on a collective basis includes all Stage 1 and Stage 2 financial assets. Subsequently, Stage 1 and Stage 2 financial assets are further disaggregated based on wholesale banking, business banking and personal financial services portfolios.

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(c) Credit risk concentration by economic sectors of the Group and the Bank:

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

Group 2023	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,321,148	513	1,321,661	1,079,264
Mining and quarrying	-	-	-	-	399,723	1,131	400,854	1,289,647
Manufacturing	-	-	45,078	169,184	9,376,488	33,951	9,624,701	14,770,209
Electricity, gas and water	-	-	91,680	-	1,336,801	727	1,429,208	728,886
Construction	-	-	9,405	49,827	7,160,324	2,918	7,222,474	17,803,292
Wholesale, retail trade, restaurants and hotels	-	-	-	364,989	13,816,733	17,917	14,199,639	13,421,122
Transport, storage and communication	-	39,857	328,916	406,834	3,549,900	4,713	4,330,220	3,134,638
Finance, insurance and business services	6,496,315	5,234,237	21,856,612	8,795,648	3,739,174	3,548,007	49,669,993	162,418,033
Real estate	-	704	-	-	3,950,097	4	3,950,805	782,021
Community, social and personal services	-	-	10,256	64,590	207,421	-	282,267	779,355
Households:								
- Purchase of residential properties	-	-	-	-	40,720,000	-	40,720,000	-
- Purchase of non-residential properties	-	-	-	-	7,605,302	-	7,605,302	-
- Others	-	-	-	-	11,441,246	-	11,441,246	31,438,411
Others	-	-	-	-	-	-	-	2,628,237
Other assets not subject to credit risk	-	-	-	-	-	3,539,597	3,539,597	-
	6,496,315	5,274,798	22,341,947	9,851,072	104,624,357	7,149,478	155,737,967	250,273,115

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(c) Credit risk concentration by economic sectors of the Group and the Bank (Continued):

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

Group (Continued) 2022	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,628,062	3,071	1,631,133	839,872
Mining and quarrying	-	-	-	180,624	88,871	127	269,622	412,931
Manufacturing	-	-	9,796	145,882	8,756,830	38,857	8,951,365	12,456,186
Electricity, gas and water	-	813,111	218,566	-	678,331	197	1,710,205	1,314,417
Construction	-	-	9,405	49,973	6,697,444	12,108	6,768,930	16,768,721
Wholesale, retail trade, restaurants and hotels	-	-	-	226,426	14,120,455	32,511	14,379,392	12,619,376
Transport, storage and communication	-	-	654,585	199,255	2,004,958	9,712	2,868,510	2,470,700
Finance, insurance and business services	8,024,342	7,359,771	19,074,106	7,070,615	4,383,940	4,201,675	50,114,449	151,814,855
Real estate	-	20,278	-	-	4,072,407	121	4,092,806	731,595
Community, social and personal services	-	-	200,909	64,818	209,951	22	475,700	45,042
Households:								
- Purchase of residential properties	-	-	-	-	41,306,688	-	41,306,688	-
- Purchase of non-residential properties	-	-	-	-	7,931,394	-	7,931,394	-
- Others	-	-	-	-	11,229,618	-	11,229,618	31,231,328
Others	-	-	-	-	-	-	-	1,843,787
Other assets not subject to credit risk	-	-	-	-	-	3,114,925	3,114,925	-
	8,024,342	8,193,160	20,167,367	7,937,593	103,108,949	7,413,326	154,844,737	232,548,810

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(c) Credit risk concentration by economic sectors of the Group and the Bank (Continued):

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

Bank 2023	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,321,148	513	1,321,661	1,079,264
Mining and quarrying	-	-	-	-	399,723	1,131	400,854	1,289,647
Manufacturing	-	-	45,078	169,184	9,376,488	33,951	9,624,701	14,770,209
Electricity, gas and water	-	-	91,680	-	1,336,801	727	1,429,208	728,886
Construction	-	-	9,405	49,827	7,160,324	2,918	7,222,474	17,803,292
Wholesale, retail trade, restaurants and hotels	-	-	-	364,989	13,816,733	17,917	14,199,639	13,421,122
Transport, storage and communication	-	39,857	328,916	406,834	3,549,900	4,713	4,330,220	3,134,638
Finance, insurance and business services	6,496,315	5,234,237	21,856,612	8,795,648	3,739,174	3,548,007	49,669,993	162,418,033
Real estate	-	704	-	-	4,253,294	4	4,254,002	781,881
Community, social and personal services	-	-	10,256	64,590	207,421	-	282,267	779,355
Households:								
- Purchase of residential properties	-	-	-	-	40,720,000	-	40,720,000	-
- Purchase of non-residential properties	-	-	-	-	7,605,302	-	7,605,302	-
- Others	-	-	-	-	11,441,246	-	11,441,246	31,438,411
Others	-	-	-	-	-	-	-	2,628,237
Other assets not subject to credit risk	-	-	-	-	-	3,572,278	3,572,278	-
	6,496,315	5,274,798	22,341,947	9,851,072	104,927,554	7,182,159	156,073,845	250,272,975

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(c) Credit risk concentration by economic sectors of the Group and the Bank (Continued):

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

Bank (Continued) 2022	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial assets, statutory deposits and other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,628,062	3,071	1,631,133	839,872
Mining and quarrying	-	-	-	180,624	88,871	127	269,622	412,931
Manufacturing	-	-	9,796	145,882	8,756,830	38,857	8,951,365	12,456,186
Electricity, gas and water	-	813,111	218,566	-	678,331	197	1,710,205	1,314,417
Construction	-	-	9,405	49,973	6,697,444	12,108	6,768,930	16,768,721
Wholesale, retail trade, restaurants and hotels	-	-	-	226,426	14,120,455	32,511	14,379,392	12,619,376
Transport, storage and communication	-	-	654,585	199,255	2,004,958	9,712	2,868,510	2,470,700
Finance, insurance and business services	8,024,342	7,359,771	19,074,106	7,070,615	4,383,940	4,201,675	50,114,449	151,814,855
Real estate	-	20,278	-	-	4,158,824	121	4,179,223	731,595
Community, social and personal services	-	-	200,909	64,818	209,951	22	475,700	45,042
Households:								
- Purchase of residential properties	-	-	-	-	41,306,688	-	41,306,688	-
- Purchase of non-residential properties	-	-	-	-	7,931,394	-	7,931,394	-
- Others	-	-	-	-	11,229,618	-	11,229,618	31,231,328
Others	-	-	-	-	-	-	-	1,843,787
Other assets not subject to credit risk	-	-	-	-	-	2,946,608	2,946,608	-
	8,024,342	8,193,160	20,167,367	7,937,593	103,195,366	7,245,009	154,762,837	232,548,810

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(d) Effects of holding collaterals

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

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

(i) Effects of holding collaterals on credit-impaired loans, advances and financing

All credit-impaired loans, advances and financing are subject to impairment review as at the current and previous financial year-ends. The collateral mitigates credit risk and would reduce the extent of allowance for expected credit losses for the assets subject to impairment review.

Group and Bank	Financial effect RM'000	Maximum exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000
2023			
Credit-impaired loans, advances and financing	1,978,491	2,831,791	853,300
2022			
Credit-impaired loans, advances and financing	1,958,505	2,833,180	874,675

For credit-impaired loans, advances and financing, allowance for ECL as at the date of the statements of financial position would have been higher by approximately RM1,978,491,000 (2022: RM1,958,505,000) without the collaterals held.

(ii) Repossessed collaterals

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

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

For the financial years ended 31 December 2023 and 31 December 2022, there were no repossessed collaterals.

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(e) Credit exposure analysed by geography

Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2023			
Cash and short-term funds	3,319,053	1,918,116	5,237,169
Deposits and placements with financial institutions	799,826	-	799,826
Securities purchased under resale agreements	459,320	-	459,320
Financial assets at FVTPL	5,260,433	14,365	5,274,798
Debt instruments at FVOCI	22,341,947	-	22,341,947
Debt instruments at amortised cost	9,851,072	-	9,851,072
Other assets	504,364	182,635	686,999
Derivative financial assets	884,455	470,894	1,355,349
Loans, advances and financing	99,016,697	5,607,660	104,624,357
Statutory deposits with BNM	1,567,533	-	1,567,533
Financial assets not subject to credit risk	3,539,597	-	3,539,597
	147,544,297	8,193,670	155,737,967
Commitments and contingencies	210,519,855	39,753,260	250,273,115
2022			
Cash and short-term funds	4,456,541	3,234,050	7,690,591
Securities purchased under resale agreements	333,751	-	333,751
Financial assets at FVTPL	8,192,298	862	8,193,160
Debt instruments at FVOCI	20,167,367	-	20,167,367
Debt instruments at amortised cost	7,937,593	-	7,937,593
Other assets	702,918	156,016	858,934
Derivative financial assets	1,076,027	547,507	1,623,534
Loans, advances and financing	97,169,395	5,939,554	103,108,949
Statutory deposits with BNM	1,815,933	-	1,815,933
Financial assets not subject to credit risk	3,114,925	-	3,114,925
	144,966,748	9,877,989	154,844,737
Commitments and contingencies	191,889,749	40,659,061	232,548,810

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(e) Credit exposure analysed by geography (Continued)

Bank	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2023			
Cash and short-term funds	3,319,053	1,918,116	5,237,169
Deposits and placements with financial institutions	799,826	-	799,826
Securities purchased under resale agreements	459,320	-	459,320
Financial assets at FVTPL	5,260,433	14,365	5,274,798
Debt instruments at FVOCI	22,341,947	-	22,341,947
Debt instruments at amortised cost	9,851,072	-	9,851,072
Other assets	504,364	182,635	686,999
Derivative financial assets	884,455	470,894	1,355,349
Loans, advances and financing	99,319,894	5,607,660	104,927,554
Statutory deposits with BNM	1,567,533	-	1,567,533
Financial assets not subject to credit risk	3,572,278	-	3,572,278
	147,880,175	8,193,670	156,073,845
Commitments and contingencies	210,519,715	39,753,260	250,272,975
2022			
Cash and short-term funds	4,456,541	3,234,050	7,690,591
Securities purchased under resale agreements	333,751	-	333,751
Financial assets at FVTPL	8,192,298	862	8,193,160
Debt instruments at FVOCI	20,167,367	-	20,167,367
Debt instruments at amortised cost	7,937,593	-	7,937,593
Other assets	702,918	156,016	858,934
Derivative financial assets	1,076,027	547,507	1,623,534
Loans, advances and financing	97,255,812	5,939,554	103,195,366
Statutory deposits with BNM	1,815,933	-	1,815,933
Financial assets not subject to credit risk	2,946,608	-	2,946,608
	144,884,848	9,877,989	154,762,837
Commitments and contingencies	191,889,749	40,659,061	232,548,810

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

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

The credit quality of the Group's and the Bank's financial assets and financial liabilities are graded based on the following risk grades:

Risk grades	Description
Pass	Indicates that timely repayment of the outstanding credit facility is not in doubt. Repayment is prompt and the credit facility does not exhibit any potential weakness in repayment capability, business, cash flow or financial position of the borrower or obligor.
Special mention	Indicates that the credit facility exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect repayment by the borrower or obligor at a future date, and warrant close attention by the Group and the Bank.
Substandard	Indicates that the credit facility exhibits definable weaknesses, either in respect of the business, cash flow or financial position of the borrower or obligor that may jeopardise repayment on existing terms.
Doubtful	Indicates that the outstanding credit facility exhibits more severe weaknesses than those in a "substandard" credit facility, such that the prospect of full recovery of the outstanding credit facility is questionable and the prospect of a loss is high, but the exact amount remains undeterminable as yet.
Loss	Indicates that the outstanding credit facility is not collectable, and little or nothing can be done to recover the outstanding amount from any collateral or from the assets of the borrower or obligor generally.
Investment grade	Indicates that the securities have a low risk of default, determined based on a relative scale by credit rating agencies such as RAM (AAA to BBB3) and Malaysian Rating Corporation Berhad (MARC) (AAA to BBB-). Such credit ratings express the ability and willingness of securities issuer to repay its debt and are based on many financial and economic indicators that influence the borrower's or obligor's creditworthiness.
Non-investment grade	Indicates that the securities have possible risk of default, determined based on a relative scale by credit rating agencies such as RAM (BB1 to C3) and MARC (BB+ to C-). Such credit ratings express the ability and willingness of securities issuer to repay its debt and are based on many financial and economic indicators that influence the borrower's or obligor's creditworthiness.
Unrated	Indicates that the securities are not assigned or have not been assigned with a rating by any credit rating agencies.

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

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

Gross loans, advances and financing

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Pass	93,413,558	8,963,255	-	102,376,813
Special mention	-	1,931,260	-	1,931,260
Substandard	-	-	2,128,218	2,128,218
Doubtful	-	-	210,076	210,076
Loss	-	-	493,497	493,497
	93,413,558	10,894,515	2,831,791	107,139,864
2022				
Pass	95,211,237	5,927,243	-	101,138,480
Special mention	-	1,706,043	-	1,706,043
Substandard	-	-	2,101,187	2,101,187
Doubtful	-	-	110,394	110,394
Loss	-	-	621,599	621,599
	95,211,237	7,633,286	2,833,180	105,677,703
Bank				
2023				
Pass	93,718,857	8,963,255	-	102,682,112
Special mention	-	1,931,260	-	1,931,260
Substandard	-	-	2,128,218	2,128,218
Doubtful	-	-	210,076	210,076
Loss	-	-	493,497	493,497
	93,718,857	10,894,515	2,831,791	107,445,163
2022				
Pass	95,299,309	5,927,243	-	101,226,552
Special mention	-	1,706,043	-	1,706,043
Substandard	-	-	2,101,187	2,101,187
Doubtful	-	-	110,394	110,394
Loss	-	-	621,599	621,599
	95,299,309	7,633,286	2,833,180	105,765,775

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

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

Irrevocable commitments and contingencies

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Pass	70,381,882	4,071,638	-	74,453,520
Special mention	-	234,042	-	234,042
Substandard	-	-	12,655	12,655
Doubtful	-	-	-	-
Loss	-	-	29,293	29,293
	70,381,882	4,305,680	41,948	74,729,510
2022				
Pass	66,997,094	1,795,932	-	68,793,026
Special mention	-	134,427	-	134,427
Substandard	-	-	13,176	13,176
Doubtful	-	-	-	-
Loss	-	-	54,727	54,727
	66,997,094	1,930,359	67,903	68,995,356

Debt instruments at FVOCI

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Investment grade	22,322,570	14,119	-	22,336,689
Non-investment grade	-	-	49,365	49,365
	22,322,570	14,119	49,365	22,386,054
2022				
Investment grade	20,142,884	19,092	-	20,161,976
Non-investment grade	-	-	49,365	49,365
	20,142,884	19,092	49,365	20,211,341

Debt instruments at amortised cost

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Unrated	9,613,199	260,362	-	9,873,561
2022				
Unrated	7,832,420	130,088	-	7,962,508

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

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

Cash and short-term funds

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Pass	5,250,313	-	-	5,250,313
2022				
Pass	7,696,923	-	-	7,696,923

Deposits and placements with financial institutions

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Pass	800,000	-	-	800,000
2022				
Pass	-	-	-	-

Other assets

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Group				
2023				
Pass	1,557,022	127,965	-	1,684,987
2022				
Pass	1,531,830	57,730	-	1,589,560
Bank				
2023				
Pass	1,568,121	127,965	-	1,696,086
2022				
Pass	1,536,923	57,730	-	1,594,653

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(g) Expected credit loss allowance

Movements in gross carrying amount between stages for loans, advances and financing are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Gross carrying amount as at 1 January	95,211,237	7,633,286	2,833,180	105,677,703
Transferred to Stage 1	1,444,162	(1,324,801)	(119,361)	-
Transferred to Stage 2	(3,810,407)	4,045,337	(234,930)	-
Transferred to Stage 3	(407,626)	(812,598)	1,220,224	-
Net drawdown/maturity/settlement	976,192	1,353,291	(275,448)	2,054,035
Write off	-	-	(591,874)	(591,874)
Balance as at 31 December	93,413,558	10,894,515	2,831,791	107,139,864
2022				
Gross carrying amount as at 1 January	75,591,170	12,050,074	2,394,946	90,036,190
Transfer from business acquisition	12,425,033	643,649	209,289	13,277,971
Transferred to Stage 1	5,354,274	(5,196,692)	(157,582)	-
Transferred to Stage 2	(2,308,675)	2,416,708	(108,033)	-
Transferred to Stage 3	(517,838)	(499,446)	1,017,284	-
Net drawdown/maturity/settlement	4,667,273	(1,781,007)	(245,372)	2,640,894
Write off	-	-	(277,352)	(277,352)
Balance as at 31 December	95,211,237	7,633,286	2,833,180	105,677,703

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Gross carrying amount as at 1 January	95,299,309	7,633,286	2,833,180	105,765,775
Transferred to Stage 1	1,444,162	(1,324,801)	(119,361)	-
Transferred to Stage 2	(3,810,407)	4,045,337	(234,930)	-
Transferred to Stage 3	(407,626)	(812,598)	1,220,224	-
Net drawdown/maturity/settlement	1,193,419	1,353,291	(275,448)	2,271,262
Write off	-	-	(591,874)	(591,874)
Balance as at 31 December	93,718,857	10,894,515	2,831,791	107,445,163
2022				
Gross carrying amount as at 1 January	75,683,363	12,050,074	2,394,946	90,128,383
Transfer from business acquisition	12,425,033	643,649	209,289	13,277,971
Transferred to Stage 1	5,354,274	(5,196,692)	(157,582)	-
Transferred to Stage 2	(2,308,675)	2,416,708	(108,033)	-
Transferred to Stage 3	(517,838)	(499,446)	1,017,284	-
Net drawdown/maturity/settlement	4,663,152	(1,781,007)	(245,372)	2,636,773
Write off	-	-	(277,352)	(277,352)
Balance as at 31 December	95,299,309	7,633,286	2,833,180	105,765,775

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(g) Expected credit loss allowance (Continued)

Movements in gross carrying amount between stages for irrevocable commitments and contingencies are as follows:

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Gross carrying amount as at 1 January	66,997,094	1,930,359	67,903	68,995,356
Transferred to Stage 1	605,341	(605,341)	-	-
Transferred to Stage 2	(2,433,361)	2,433,361	-	-
Transferred to Stage 3	(2,210)	(4,805)	7,015	-
Net increase/(decrease)	5,215,018	552,106	(32,970)	5,734,154
Balance as at 31 December	70,381,882	4,305,680	41,948	74,729,510
2022				
Gross carrying amount as at 1 January	41,026,975	3,896,236	28,422	44,951,633
Transferred to Stage 1	2,470,732	(2,470,572)	(160)	-
Transferred to Stage 2	(811,075)	811,075	-	-
Transferred to Stage 3	(31,198)	(29,483)	60,681	-
Net increase/(decrease)	24,341,660	(276,897)	(21,040)	24,043,723
Balance as at 31 December	66,997,094	1,930,359	67,903	68,995,356

Movements in gross carrying amount between stages for debt instruments at amortised cost are as follows:

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
Gross carrying amount as at 1 January	7,832,420	130,088	-	7,962,508
Transferred to Stage 1	120,000	(120,000)	-	-
Transferred to Stage 2	(230,000)	230,000	-	-
Net increase	1,890,779	20,274	-	1,911,053
Balance as at 31 December	9,613,199	260,362	-	9,873,561
2022				
Gross carrying amount as at 1 January	1,168,844	9,311	-	1,178,155
Net increase	6,663,576	120,777	-	6,784,353
Balance as at 31 December	7,832,420	130,088	-	7,962,508

40. Financial Risk Management (Continued)

40.1 Credit Risk (Continued)

(g) Expected credit loss allowance (Continued)

Cash and short-term funds

No transfer between stages occurred for the Group's and the Bank's cash and short-term funds during the financial year. Gross balance in Stage 1 as at 31 December 2023 was RM5,250,313,000 (2022: RM7,696,923,000).

Deposits and placements with financial institutions

No transfer between stages occurred for the Group's and the Bank's deposits and placements with financial institutions during the financial year. Gross balance in Stage 1 as at 31 December 2023 was RM800,000,000 (2022: Nil).

Debt instruments at FVOCI

No transfer between stages occurred for the Group's and the Bank's debt instruments at FVOCI during the financial year. Gross balances in Stage 1 and Stage 2 as at 31 December 2023 was RM22,322,570,000 (2022: RM20,142,884,000) and RM14,119,000 (2022: RM19,092,000) respectively. Gross balance in Stage 3 as at 31 December 2023 was RM49,365,000 (2022: RM49,365,000).

Other assets

No transfer between stages occurred for the Group's and the Bank's other assets during the financial year. The Group's gross balances in Stage 1 and Stage 2 as at 31 December 2023 was RM1,557,022,000 (2022: RM1,531,830,000) and RM127,965,000 (2022: RM57,730,000) respectively. The Bank's gross balances in Stage 1 and Stage 2 as at 31 December 2023 was RM1,568,121,000 (2022: RM1,536,923,000) and RM127,965,000 (2022: RM57,730,000) respectively.

40.2 Market risk

(i) Foreign exchange risk

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

Foreign exchange exposures of the Group and the Bank arise mainly from foreign exchange position-taking from proprietary business and customer facilitation business. Foreign exchange contracts and foreign exchange derivatives are utilised by the Group and the Bank to hedge and mitigate the foreign exchange exposures.

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

The Group and the Bank have performed foreign currency sensitivity analysis by using Expected Shortfall (ES) as demonstrated in Note 40.2(iv).

40. Financial Risk Management (Continued)

40.2 Market risk (Continued)

(i) Foreign exchange risk (Continued)

The following table provides a breakdown of the Group's and the Bank's assets and liabilities by currency as at the reporting date.

The "others" include mainly exposure to Australian Dollar, Japanese Yen, Chinese Renminbi, Philippine Peso and Brunei Dollar.

Group	Malaysian Ringgit RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Others RM'000	Total RM'000
2023					
Total assets	146,820,235	6,246,416	1,832,581	838,735	155,737,967
Total liabilities	112,756,465	24,464,710	2,624,725	1,789,827	141,635,727
Net assets/liabilities	34,063,770	(18,218,294)	(792,144)	(951,092)	14,102,240
2022					
Total assets	144,418,207	7,289,247	1,989,436	1,147,847	154,844,737
Total liabilities	112,420,028	25,462,784	2,788,121	1,866,794	142,537,727
Net assets/liabilities	31,998,179	(18,173,537)	(798,685)	(718,947)	12,307,010
Bank					
2023					
Total assets	147,156,113	6,246,416	1,832,581	838,735	156,073,845
Total liabilities	113,170,512	24,464,710	2,624,720	1,789,826	142,049,768
Net assets/liabilities	33,985,601	(18,218,294)	(792,139)	(951,091)	14,024,077
2022					
Total assets	144,336,308	7,289,247	1,989,435	1,147,847	154,762,837
Total liabilities	112,409,190	25,462,784	2,788,121	1,866,794	142,526,889
Net assets/liabilities	31,927,118	(18,173,537)	(798,686)	(718,947)	12,235,948

40. Financial Risk Management (Continued)

40.2 Market risk (Continued)

(ii) Interest rate/rate of return risk in the banking book

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

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

The Bank's interest rate/rate of return risk sensitivity is measured as changes in economic value of equity (EVE) or net interest/finance income (NII/NFI) based on Basel Interest Rate/Rate of Return Risk in the Banking Book requirements. At 100 and 200 basis points parallel interest rate/rate of return shocks, worst case results were negative RM673 million and RM1,258 million (2022: negative RM512 million and RM944 million) respectively, mainly driven by MYR and USD positions.

EVE is the present value of assets less present value of liabilities of the Group. NII/NFI is the simulated change in the Group’s net interest/finance income. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Interest rate flooring effects according to revised MAS637 requirements are taken into consideration. Loan prepayment and time deposit early withdrawal rates are estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate. The average repricing maturity of core non-maturity deposits is determined through empirical models taking into account asset duration. Risk-free zero coupon curves are used for EVE discounting. Currencies are aggregated by scenarios.

40. Financial Risk Management (Continued)

40.2 Market risk (Continued)

(iii) Interest/profit rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/profit rate risk. The financial assets and financial liabilities at carrying amounts are categorised by the earlier of the next contractual repricing and maturity dates.

	Non-trading book							
Group 2023	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	Non-interest Sensitive RM'000	Trading Book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	5,182,674	-	-	-	-	54,495	-	5,237,169
Deposits and placements with financial institutions	799,826	-	-	-	-	-	-	799,826
Securities purchased under resale agreements	162,836	296,484	-	-	-	-	-	459,320
Financial assets at FVTPL	-	-	-	-	-	-	5,274,798	5,274,798
Debt instruments at FVOCI	1,769,523	1,451,802	1,146,705	8,056,518	9,877,439	39,960	-	22,341,947
Equity instruments at FVOCI	-	-	-	-	-	218,194	-	218,194
Debt instruments at amortised cost	5,757	560,865	563,774	2,956,554	5,764,122	-	-	9,851,072
Other assets	305,121	-	-	-	-	1,374,352	-	1,679,473
Derivative financial assets	-	-	-	-	-	-	1,355,349	1,355,349
Loans, advances and financing	28,362,794	2,979,763	1,432,057	15,086,315	59,278,935	(2,515,507)	-	104,624,357
Statutory deposits with BNM	-	-	-	-	-	1,567,533	-	1,567,533
Total financial assets	36,588,531	5,288,914	3,142,536	26,099,387	74,920,496	739,027	6,630,147	153,409,038
Financial liabilities								
Deposits from customers	78,465,854	13,799,819	23,499,798	42,800	-	225,930	-	116,034,201
Deposits and placements of banks and other financial institutions	12,849,495	231,162	3,245	25,957	905,306	-	-	14,015,165
Obligations on securities sold under repurchase agreements	2,916,732	-	-	-	-	-	-	2,916,732
Bills and acceptances payable	-	-	-	-	-	297,505	-	297,505
Other liabilities	115,462	15,390	79,975	1,686,294	100,000	3,020,300	-	5,017,421
Derivative financial liabilities	-	-	-	-	-	-	1,493,000	1,493,000
Subordinated bonds	-	-	-	-	1,749,728	-	-	1,749,728
Total financial liabilities	94,347,543	14,046,371	23,583,018	1,755,051	2,755,034	3,543,735	1,493,000	141,523,752
On-statement of financial position interest sensitivity gap	(57,759,012)	(8,757,457)	(20,440,482)	24,344,336	72,165,462	(2,804,708)	5,137,147	11,885,286
Off-statement of financial position interest sensitivity gap	750,000	-	-	-	(750,000)	-	-	-
Total interest/profit sensitivity gap	(57,009,012)	(8,757,457)	(20,440,482)	24,344,336	71,415,462	(2,804,708)	5,137,147	11,885,286

40. Financial Risk Management (Continued)

40.2 Market risk (Continued)

(iii) Interest/profit rate risk (Continued)

Group (Continued) 2022	Non-trading book 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	Non-interest Sensitive RM'000	Trading Book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	7,640,293	-	-	-	-	50,298	-	7,690,591
Securities purchased under resale agreements	333,751	-	-	-	-	-	-	333,751
Financial assets at FVTPL	-	-	-	-	-	-	8,193,160	8,193,160
Debt instruments at FVOCI	2,490,144	1,230,838	1,411,564	8,881,452	6,113,409	39,960	-	20,167,367
Equity instruments at FVOCI	-	-	-	-	-	153,681	-	153,681
Debt instruments at amortised cost	7,176	-	75,553	2,722,003	5,132,861	-	-	7,937,593
Other assets	445,274	-	-	-	-	1,131,524	-	1,576,798
Derivative financial assets	-	-	-	-	-	-	1,623,534	1,623,534
Loans, advances and financing	25,689,484	3,226,823	1,592,836	15,602,867	59,565,693	(2,568,754)	-	103,108,949
Statutory deposits with BNM	-	-	-	-	-	1,815,933	-	1,815,933
Total financial assets	36,606,122	4,457,661	3,079,953	27,206,322	70,811,963	622,642	9,816,694	152,601,357
Financial liabilities								
Deposits from customers	77,941,761	11,475,470	21,163,510	26,359	-	277,709	-	110,884,809
Deposits and placements of banks and other financial institutions	13,639,754	1,763,979	1,288	10,307	923,288	-	-	16,338,616
Obligations on securities sold under repurchase agreements	5,523,321	-	-	-	-	-	-	5,523,321
Bills and acceptances payable	-	-	-	-	-	239,443	-	239,443
Other liabilities	47,468	3,550	5,840	1,546,020	100,000	2,860,790	-	4,563,668
Derivative financial liabilities	-	-	-	-	-	-	2,287,130	2,287,130
Subordinated bonds	-	-	-	-	2,346,727	-	-	2,346,727
Total financial liabilities	97,152,304	13,242,999	21,170,638	1,582,686	3,370,015	3,377,942	2,287,130	142,183,714
On-statement of financial position interest sensitivity gap	(60,546,182)	(8,785,338)	(18,090,685)	25,623,636	67,441,948	(2,755,300)	7,529,564	10,417,643
Off-statement of financial position interest sensitivity gap	1,350,000	-	-	-	(1,350,000)	-	-	-
Total interest/profit sensitivity gap	(59,196,182)	(8,785,338)	(18,090,685)	25,623,636	66,091,948	(2,755,300)	7,529,564	10,417,643

40. Financial Risk Management (Continued)

40.2 Market risk (Continued)

(iii) Interest/profit rate risk (Continued)

Bank 2023	Non-trading book: 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	Non-interest Sensitive RM'000	Trading Book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	5,182,674	-	-	-	-	54,495	-	5,237,169
Deposits and placements with financial institutions	799,826	-	-	-	-	-	-	799,826
Securities purchased under resale agreements	162,836	296,484	-	-	-	-	-	459,320
Financial assets at FVTPL	-	-	-	-	-	-	5,274,798	5,274,798
Debt instruments at FVOCI	1,769,523	1,451,802	1,146,705	8,056,518	9,877,439	39,960	-	22,341,947
Equity instruments at FVOCI	-	-	-	-	-	218,194	-	218,194
Debt instruments at amortised cost	5,757	560,865	563,774	2,956,554	5,764,122	-	-	9,851,072
Other assets	305,121	-	-	-	-	1,385,449	-	1,690,570
Derivative financial assets	-	-	-	-	-	-	1,355,349	1,355,349
Loans, advances and financing	28,668,092	2,979,763	1,432,057	15,086,315	59,278,936	(2,517,609)	-	104,927,554
Statutory deposits with BNM	-	-	-	-	-	1,567,533	-	1,567,533
Total financial assets	36,893,829	5,288,914	3,142,536	26,099,387	74,920,497	748,022	6,630,147	153,723,332
Financial liabilities								
Deposits from customers	78,496,159	13,799,819	23,499,798	42,800	-	226,773	-	116,065,349
Deposits and placements of banks and other financial institutions	12,849,515	231,162	3,245	25,957	905,306	-	-	14,015,185
Obligations on securities sold under repurchase agreements	2,916,732	-	-	-	-	-	-	2,916,732
Bills and acceptances payable	-	-	-	-	-	297,505	-	297,505
Other liabilities	115,462	15,390	79,975	1,686,294	100,000	2,983,073	-	4,980,194
Derivative financial liabilities	-	-	-	-	-	-	1,493,000	1,493,000
Subordinated bonds	-	-	-	-	1,749,728	-	-	1,749,728
Total financial liabilities	94,377,868	14,046,371	23,583,018	1,755,051	2,755,034	3,507,351	1,493,000	141,517,693
On-statement of financial position interest sensitivity gap	(57,484,039)	(8,757,457)	(20,440,482)	24,344,336	72,165,463	(2,759,329)	5,137,147	12,205,639
Off-statement of financial position interest sensitivity gap	750,000	-	-	-	(750,000)	-	-	-
Total interest/profit sensitivity gap	(56,734,039)	(8,757,457)	(20,440,482)	24,344,336	71,415,463	(2,759,329)	5,137,147	12,205,639

40. Financial Risk Management (Continued)

40.2 Market risk (Continued)

(iii) Interest/profit rate risk (Continued)

Bank (Continued) 2022	Non-trading book 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	Non-interest Sensitive RM'000	Trading Book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	7,640,293	-	-	-	-	50,298	-	7,690,591
Securities purchased under resale agreements	333,751	-	-	-	-	-	-	333,751
Financial assets at FVTPL	-	-	-	-	-	-	8,193,160	8,193,160
Debt instruments at FVOCI	2,490,144	1,230,838	1,411,564	8,881,452	6,113,409	39,960	-	20,167,367
Equity instruments at FVOCI	-	-	-	-	-	153,681	-	153,681
Debt instruments at amortised cost	7,176	-	75,553	2,722,003	5,132,861	-	-	7,937,593
Other assets	445,274	-	-	-	-	1,136,618	-	1,581,892
Derivative financial assets	-	-	-	-	-	-	1,623,534	1,623,534
Loans, advances and financing	25,777,554	3,226,823	1,592,836	15,602,867	59,565,695	(2,570,409)	-	103,195,366
Statutory deposits with BNM	-	-	-	-	-	1,815,933	-	1,815,933
Total financial assets	36,694,192	4,457,661	3,079,953	27,206,322	70,811,965	626,081	9,816,694	152,692,868
Financial liabilities								
Deposits from customers	77,956,553	11,475,470	21,163,510	26,359	-	278,382	-	110,900,274
Deposits and placements of banks and other financial institutions	13,639,754	1,763,979	1,288	10,307	923,288	-	-	16,338,616
Obligations on securities sold under repurchase agreements	5,523,321	-	-	-	-	-	-	5,523,321
Bills and acceptances payable	-	-	-	-	-	239,443	-	239,443
Other liabilities	47,468	3,550	5,840	1,546,020	100,000	2,819,021	-	4,521,899
Derivative financial liabilities	-	-	-	-	-	-	2,287,130	2,287,130
Subordinated bonds	-	-	-	-	2,346,727	-	-	2,346,727
Total financial liabilities	97,167,096	13,242,999	21,170,638	1,582,686	3,370,015	3,336,846	2,287,130	142,157,410
On-statement of financial position interest sensitivity gap	(60,472,904)	(8,785,338)	(18,090,685)	25,623,636	67,441,950	(2,710,765)	7,529,564	10,535,458
Off-statement of financial position interest sensitivity gap	1,350,000	-	-	-	(1,350,000)	-	-	-
Total interest/profit sensitivity gap	(59,122,904)	(8,785,338)	(18,090,685)	25,623,636	66,091,950	(2,710,765)	7,529,564	10,535,458

40. Financial Risk Management (Continued)

40.2 Market risk (Continued)

(iv) Expected Shortfall (ES)

The Group and the Bank adopt a daily ES to estimate market risk within a 97.5% confidence interval using the historical simulation method. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. It assumes that possible future changes in market rates may be implied by observed historical market movements. ES is the average portfolio loss, assuming that the loss is greater than the specified percentile of the loss distribution. Market risk stress tests are conducted to complement the daily ES. The table below shows the ES profile by risk classes.

2023	Year end RM'000	High RM'000	Low RM'000	Average RM'000
Interest/profit rate	2,623	5,910	1,630	3,163
Foreign exchange	67	3,050	25	572
Commodities	11	325	11	63
Option volatility	816	844	110	297
Equities	27	323	12	57
Total diversified ES	5,610	10,729	5,447	7,546
2022				
Interest/profit rate	4,327	5,391	1,364	2,454
Foreign exchange	206	13,232	91	502
Commodities	100	520	3	62
Option volatility	319	356	1	180
Equities	24	151	4	18
Total diversified ES	9,577	10,452	3,464	5,976

41. 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 draw-down of loans.

The Group and the Bank manage liquidity risk in accordance with the liquidity framework approved by the Board and by Board delegated committees. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group and the Bank are also required by the regulators to maintain high quality liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

41. Liquidity Risk (Continued)

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

Group	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2023						
Assets						
Cash and short-term funds	5,237,269	-	-	-	-	5,237,269
Deposits and placements with financial institutions	807,308	-	-	-	-	807,308
Securities purchased under resale agreements	165,812	302,352	-	-	-	468,164
Financial assets at FVTPL	3,878,431	637,857	452,154	310,190	40,608	5,319,240
Debt instruments at FVOCI	1,686,040	2,015,010	1,217,354	10,041,725	13,904,178	28,864,307
Equity instruments at FVOCI	-	-	-	-	218,194	218,194
Debt instruments at amortised cost	5,820	559,616	587,148	3,319,181	8,216,294	12,688,059
Other assets	433,953	-	-	-	-	433,953
Derivative financial assets	607,217	172,419	105,650	435,334	34,729	1,355,349
Loans, advances and financing	30,864,202	5,248,510	5,489,751	30,699,280	70,897,550	143,199,293
Statutory deposits with BNM	-	-	-	-	1,567,533	1,567,533
	43,686,052	8,935,764	7,852,057	44,805,710	94,879,086	200,158,669
Liabilities						
Deposits from customers	78,608,707	13,985,744	24,159,016	270,327	-	117,023,794
Deposits and placements of banks and other financial institutions	14,947,664	232,134	3,245	25,957	905,306	16,114,306
Obligations on securities sold under repurchase agreements	2,939,139	-	-	-	-	2,939,139
Bills and acceptances payable	297,505	-	-	-	-	297,505
Other liabilities	861,711	15,390	79,975	1,688,696	100,578	2,746,350
Derivative financial liabilities	688,137	246,369	138,270	394,971	25,253	1,493,000
Lease liabilities	6,044	5,998	11,049	90,762	171,750	285,603
Subordinated bonds	-	-	-	-	2,349,865	2,349,865
	98,348,907	14,485,635	24,391,555	2,470,713	3,552,752	143,249,562
Net maturity mismatches	(54,662,855)	(5,549,871)	(16,539,498)	42,334,997	91,326,334	
Off-balance sheet liabilities						
Credit and commitments	72,500,176	21,202,010	67,146,943	8,180,249	6,897,785	175,927,163
Derivatives	(35,193)	(9,711)	37,467	51,866	55,885	100,314
Net maturity mismatches	72,464,983	21,192,299	67,184,410	8,232,115	6,953,670	176,027,477

41. Liquidity Risk (Continued)

Group (Continued)	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2022						
Assets						
Cash and short-term funds	7,690,793	-	-	-	-	7,690,793
Securities purchased under resale agreements	336,619	-	-	-	-	336,619
Financial assets at FVTPL	5,609,854	1,039,651	1,587,696	-	-	8,237,201
Debt instruments at FVOCI	2,414,472	1,250,491	1,459,973	10,683,816	9,125,756	24,934,508
Equity instruments at FVOCI	-	-	-	-	153,681	153,681
Debt instruments at amortised cost	7,257	-	78,661	1,912,344	7,426,261	9,424,523
Other assets	715,790	-	-	-	-	715,790
Derivative financial assets	707,836	215,048	179,191	490,166	31,293	1,623,534
Loans, advances and financing	28,041,934	5,282,775	5,645,916	29,314,666	74,394,119	142,679,410
Statutory deposits with BNM	-	-	-	-	1,815,933	1,815,933
	45,524,555	7,787,965	8,951,437	42,400,992	92,947,043	197,611,992
Liabilities						
Deposits from customers	78,345,167	11,595,400	21,694,392	27,404	-	111,662,363
Deposits and placements of banks and other financial institutions	13,678,002	1,772,008	1,288	10,307	923,288	16,384,893
Obligations on securities sold under repurchase agreements	4,654,557	932,539	-	-	-	5,587,096
Bills and acceptances payable	239,443	-	-	-	-	239,443
Other liabilities	992,115	7,400	1,650	1,606,922	-	2,608,087
Derivative financial liabilities	1,279,341	203,500	273,460	488,594	42,235	2,287,130
Lease liabilities	5,638	5,318	10,337	63,262	15,470	100,025
Subordinated bonds	-	-	-	-	3,194,423	3,194,423
	99,194,263	14,516,165	21,981,127	2,196,489	4,175,416	142,063,460
Net maturity mismatches	(53,669,708)	(6,728,200)	(13,029,690)	40,204,503	88,771,627	
Off-balance sheet liabilities						
Credit and commitments	70,387,524	14,709,117	36,249,786	34,934,127	6,902,136	163,182,690
Derivatives	25,738	15,584	41,769	14,836	34,453	132,380
Net maturity mismatches	70,413,262	14,724,701	36,291,555	34,948,963	6,936,589	163,315,070

41. Liquidity Risk (Continued)

Bank	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2023						
Assets						
Cash and short-term funds	5,237,269	-	-	-	-	5,237,269
Deposits and placements with financial institutions	807,308	-	-	-	-	807,308
Securities purchased under resale agreements	165,812	302,352	-	-	-	468,164
Financial assets at FVTPL	3,878,431	637,857	452,154	310,190	40,608	5,319,240
Debt instruments at FVOCI	1,686,040	2,015,010	1,217,354	10,041,725	13,904,178	28,864,307
Equity instruments at FVOCI	-	-	-	-	218,194	218,194
Debt instruments at amortised cost	5,820	559,616	587,148	3,319,181	8,216,294	12,688,059
Other assets	433,953	-	-	-	-	433,953
Derivative financial assets	607,217	172,419	105,650	435,334	34,729	1,355,349
Loans, advances and financing	30,929,551	5,259,623	5,501,374	30,764,280	71,047,662	143,502,490
Statutory deposits with BNM	-	-	-	-	1,567,533	1,567,533
	43,751,401	8,946,877	7,863,680	44,870,710	95,029,198	200,461,866
Liabilities						
Deposits from customers	78,639,032	13,985,744	24,159,016	271,170	-	117,054,962
Deposits and placements of banks and other financial institutions	14,947,664	232,134	3,245	25,957	905,306	16,114,306
Obligations on securities sold under repurchase agreements	2,939,139	-	-	-	-	2,939,139
Bills and acceptances payable	297,505	-	-	-	-	297,505
Other liabilities	861,711	15,390	79,975	1,688,696	100,578	2,746,350
Derivative financial liabilities	688,137	246,369	138,270	394,971	25,253	1,493,000
Lease liabilities	15,523	15,405	28,377	233,110	441,116	733,531
Subordinated bonds	-	-	-	-	2,349,865	2,349,865
	98,388,711	14,495,042	24,408,883	2,613,904	3,822,118	143,728,658
Net maturity mismatches	(54,637,310)	(5,548,165)	(16,545,203)	42,256,806	91,207,080	
Off-balance sheet liabilities						
Credit and commitments	72,500,176	21,202,010	67,146,943	8,180,249	6,897,785	175,927,163
Derivatives	(35,193)	(9,711)	37,467	51,866	55,885	100,314
Net maturity mismatches	72,464,983	21,192,299	67,184,410	8,232,115	6,953,670	176,027,477

41. Liquidity Risk (Continued)

Bank (Continued)	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2022						
Assets						
Cash and short-term funds	7,690,793	-	-	-	-	7,690,793
Securities purchased under resale agreements	336,619	-	-	-	-	336,619
Financial assets at FVTPL	5,609,854	1,039,651	1,587,696	-	-	8,237,201
Debt instruments at FVOCI	2,414,472	1,250,491	1,459,973	10,683,816	9,125,756	24,934,508
Equity instruments at FVOCI	-	-	-	-	153,681	153,681
Debt instruments at amortised cost	7,257	-	78,661	1,912,344	7,426,261	9,424,523
Other assets	715,790	-	-	-	-	715,790
Derivative financial assets	707,836	215,048	179,191	490,166	31,293	1,623,534
Loans, advances and financing	28,060,994	5,285,783	5,647,329	29,328,445	74,443,275	142,765,826
Statutory deposits with BNM	-	-	-	-	1,815,933	1,815,933
	45,543,615	7,790,973	8,952,850	42,414,771	92,996,199	197,698,408
Liabilities						
Deposits from customers	78,360,632	11,595,400	21,694,392	27,404	-	111,677,828
Deposits and placements of banks and other financial institutions	13,678,002	1,772,008	1,288	10,307	923,288	16,384,893
Obligations on securities sold under repurchase agreements	4,654,557	932,539	-	-	-	5,587,096
Bills and acceptances payable	239,443	-	-	-	-	239,443
Other liabilities	992,115	7,400	1,650	1,606,922	-	2,608,087
Derivative financial liabilities	1,279,341	203,500	273,460	488,594	42,235	2,287,130
Lease liabilities	8,234	7,768	15,097	92,398	22,595	146,092
Subordinated bonds	-	-	-	-	3,194,423	3,194,423
	99,212,324	14,518,615	21,985,887	2,225,625	4,182,541	142,124,992
Net maturity mismatches	(53,668,709)	(6,727,642)	(13,033,037)	40,189,146	88,813,658	
Off-balance sheet liabilities						
Credit and commitments	70,387,524	14,709,117	36,249,786	34,934,127	6,902,137	163,182,691
Derivatives	25,738	15,584	41,769	14,836	34,453	132,380
Net maturity mismatches	70,413,262	14,724,701	36,291,555	34,948,963	6,936,590	163,315,071

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Note 38. These have been incorporated in the net off-balance sheet positions as at 31 December 2023 and 31 December 2022. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

42. Maturity Analysis of Assets and Liabilities

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

Group	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2023			
Assets			
Cash and short-term funds	5,237,169	-	5,237,169
Deposits and placements with financial institutions	799,826	-	799,826
Securities purchased under resale agreements	459,320	-	459,320
Financial assets at FVTPL	4,927,401	347,397	5,274,798
Debt instruments at FVOCI	4,368,030	17,973,917	22,341,947
Equity instruments at FVOCI	-	218,194	218,194
Debt instruments at amortised cost	1,130,396	8,720,676	9,851,072
Other assets	1,674,192	5,281	1,679,473
Derivative financial assets	885,286	470,063	1,355,349
Loans, advances and financing	32,005,108	72,619,249	104,624,357
Statutory deposits with BNM	-	1,567,533	1,567,533
Investment in an associate	-	418	418
Property, plant and equipment	-	1,402,720	1,402,720
Right-of-use assets	5,396	72,280	77,676
Intangible assets	-	466,274	466,274
Deferred tax assets	-	379,671	379,671
Tax recoverable	2,170	-	2,170
Total assets	51,494,294	104,243,673	155,737,967
Liabilities			
Deposits from customers	115,991,401	42,800	116,034,201
Deposits and placements of banks and other financial institutions	13,083,902	931,263	14,015,165
Obligations on securities sold under repurchase agreements	2,916,732	-	2,916,732
Bills and acceptances payable	297,505	-	297,505
Other liabilities	3,003,224	2,014,197	5,017,421
Derivative financial liabilities	1,072,776	420,224	1,493,000
Lease liabilities	5,527	78,620	84,147
Subordinated bonds	-	1,749,728	1,749,728
Deferred tax liabilities	-	27,828	27,828
Total liabilities	136,371,067	5,264,660	141,635,727
Net mismatch	(84,876,773)	98,979,013	14,102,240

42. Maturity Analysis of Assets and Liabilities (Continued)

Group (Continued)	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2022			
Assets			
Cash and short-term funds	7,690,591	-	7,690,591
Securities purchased under resale agreements	333,751	-	333,751
Financial assets at FVTPL	8,193,160	-	8,193,160
Debt instruments at FVOCI	5,132,545	15,034,822	20,167,367
Equity instruments at FVOCI	-	153,681	153,681
Debt instruments at amortised cost	58,923	7,878,670	7,937,593
Other assets	1,570,501	6,297	1,576,798
Derivative financial assets	1,102,075	521,459	1,623,534
Loans, advances and financing	29,767,544	73,341,405	103,108,949
Statutory deposits with BNM	-	1,815,933	1,815,933
Investment in an associate	-	418	418
Property, plant and equipment	-	1,307,789	1,307,789
Right-of-use assets	2,540	90,626	93,166
Intangible assets	-	480,157	480,157
Deferred tax assets	-	361,850	361,850
Total assets	53,851,630	100,993,107	154,844,737
Liabilities			
Deposits from customers	110,858,450	26,359	110,884,809
Deposits and placements of banks and other financial institutions	15,405,021	933,595	16,338,616
Obligations on securities sold under repurchase agreements	5,523,321	-	5,523,321
Bills and acceptances payable	239,443	-	239,443
Other liabilities	2,705,713	1,857,955	4,563,668
Derivative financial liabilities	1,756,301	530,829	2,287,130
Tax payable	223,311	-	223,311
Lease liabilities	2,431	96,539	98,970
Subordinated bonds	-	2,346,727	2,346,727
Deferred tax liabilities	-	31,732	31,732
Total liabilities	136,713,991	5,823,736	142,537,727
Net mismatch	(82,862,361)	95,169,371	12,307,010

42. Maturity Analysis of Assets and Liabilities (Continued)

Bank	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2023			
Assets			
Cash and short-term funds	5,237,169	-	5,237,169
Deposits and placements with financial institutions	799,826	-	799,826
Securities purchased under resale agreements	459,320	-	459,320
Financial assets at FVTPL	4,927,401	347,397	5,274,798
Debt instruments at FVOCI	4,368,030	17,973,917	22,341,947
Equity instruments at FVOCI	-	218,194	218,194
Debt instruments at amortised cost	1,130,396	8,720,676	9,851,072
Other assets	1,685,423	5,147	1,690,570
Derivative financial assets	885,286	470,063	1,355,349
Loans, advances and financing	32,304,798	72,622,756	104,927,554
Statutory deposits with BNM	-	1,567,533	1,567,533
Investment in subsidiaries	-	350,020	350,020
Investment in an associate	-	4,758	4,758
Property, plant and equipment	-	652,268	652,268
Right-of-use assets	5,396	503,158	508,554
Intangible assets	-	466,274	466,274
Deferred tax assets	-	368,342	368,342
Tax recoverable	297	-	297
Total assets	51,803,342	104,270,503	156,073,845
Liabilities			
Deposits from customers	116,022,549	42,800	116,065,349
Deposits and placements of banks and other financial institutions	13,083,922	931,263	14,015,185
Obligations on securities sold under repurchase agreements	2,916,732	-	2,916,732
Bills and acceptances payable	297,505	-	297,505
Other liabilities	2,965,997	2,014,197	4,980,194
Derivative financial liabilities	1,072,776	420,224	1,493,000
Lease liabilities	5,527	526,548	532,075
Subordinated bonds	-	1,749,728	1,749,728
Total liabilities	136,365,008	5,684,760	142,049,768
Net mismatch	(84,561,666)	98,585,743	14,024,077

42. Maturity Analysis of Assets and Liabilities (Continued)

Bank (Continued)	Within 12 months RM'000	After 12 months RM'000	Total RM'000
2022			
Assets			
Cash and short-term funds	7,690,591	-	7,690,591
Securities purchased under resale agreements	333,751	-	333,751
Financial assets at FVTPL	8,193,160	-	8,193,160
Debt instruments at FVOCI	5,132,545	15,034,822	20,167,367
Equity instruments at FVOCI	-	153,681	153,681
Debt instruments at amortised cost	58,923	7,878,670	7,937,593
Other assets	1,570,858	11,034	1,581,892
Derivative financial assets	1,102,075	521,459	1,623,534
Loans, advances and financing	29,853,614	73,341,752	103,195,366
Statutory deposits with BNM	-	1,815,933	1,815,933
Investment in subsidiaries	-	570,020	570,020
Investment in an associate	-	4,758	4,758
Property, plant and equipment	-	535,357	535,357
Right-of-use assets	2,540	132,424	134,964
Intangible assets	-	480,157	480,157
Deferred tax assets	-	344,713	344,713
Total assets	53,938,057	100,824,780	154,762,837
Liabilities			
Deposits from customers	110,873,915	26,359	110,900,274
Deposits and placements of banks and other financial institutions	15,405,021	933,595	16,338,616
Obligations on securities sold under repurchase agreements	5,523,321	-	5,523,321
Bills and acceptances payable	239,443	-	239,443
Other liabilities	2,663,944	1,857,955	4,521,899
Derivative financial liabilities	1,756,301	530,829	2,287,130
Tax payable	224,441	-	224,441
Lease liabilities	2,431	142,607	145,038
Subordinated bonds	-	2,346,727	2,346,727
Total liabilities	136,688,817	5,838,072	142,526,889
Net mismatch	(82,750,760)	94,986,708	12,235,948

43. Offsetting Financial Assets and Financial Liabilities

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

Group and Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not offset in the statement of financial position Financial instruments RM'000	Financial collateral received/ pledged RM'000	Net amount RM'000
2023						
Financial assets						
Derivative financial assets	1,355,349	-	1,355,349	(137,829)	(449,498)	768,022
Financial liabilities						
Derivative financial liabilities	1,493,000	-	1,493,000	(137,829)	(220,879)	1,134,292
2022						
Financial assets						
Derivative financial assets	1,623,534	-	1,623,534	(634,835)	(492,523)	496,176
Financial liabilities						
Derivative financial liabilities	2,287,130	-	2,287,130	(634,835)	(445,274)	1,207,021

The Group and the Bank enter into derivative master netting agreements (such as the International Swaps and Derivatives Association Master Agreement) with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Group and the Bank to settle outstanding derivative contracts' amounts with the counterparty on a net basis in the event of default. These agreements also allow the Group and the Bank to further reduce its credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when preestablished thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

44. Segment Information

Operating segments

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and assess its performance.

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

Retail

The Retail segment covers Personal Financial Services and Private Banking. Personal Financial Services serves the individual customers, offers a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Banking is an integral part of the Group, dedicated to providing high-net-worth clients with financial and portfolio planning services. We are focused on helping our clients achieve sustainable growth and legacy solutions of their wealth for future generations via bespoke wealth management and credit advisory.

Wholesale Banking (WB)

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

Global Markets (GM)

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

Others

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

44. Segment Information (Continued)

Operating segments (Continued)

Group	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
2023							
Operating income	1,868,440	2,133,470	329,745	322,682	4,654,337	(53,575)	4,600,762
Other operating expenses	(1,335,959)	(613,595)	(113,261)	(383,154)	(2,445,969)	67,768	(2,378,201)
Allowance for/(write-back of) ECL	(313,295)	(18,598)	-	(2)	(331,895)	458	(331,437)
Write-back of impairment loss on property, plant and equipment	-	-	-	9,893	9,893	-	9,893
Profit before taxation	219,186	1,501,277	216,484	(50,581)	1,886,366	14,651	1,901,017
Income tax expense							(351,723)
Profit after taxation							1,549,294
Other information							
Gross loans, advances and financing	60,637,235	46,118,583	-	689,345	107,445,163	(305,299)	107,139,864
Deposits from customers	68,175,844	47,877,785	-	11,983	116,065,612	(31,431)	116,034,181
Inter-segment operating income/(expense)	240,412	99,369	(660,343)	374,138	53,575	(53,575)	-
Depreciation of property, plant and equipment and right-of-use assets	45,428	26,096	3,845	121,218	196,587	(29,167)	167,420
2022							
Operating income	1,278,806	1,800,315	403,663	399,647	3,882,431	(25,435)	3,856,996
Other operating expenses	(821,534)	(521,108)	(98,158)	(875,023)	(2,315,823)	19,629	(2,296,194)
Allowance for ECL	(128,489)	(9,362)	-	(49)	(137,900)	(2,142)	(140,042)
Impairment loss on property, plant and equipment	-	-	-	(103,246)	(103,246)	-	(103,246)
Share of net loss of an associate	-	-	-	(565)	(565)	-	(565)
Profit before taxation	328,783	1,269,845	305,505	(579,236)	1,324,897	(7,948)	1,316,949
Income tax expense							(679,007)
Profit after taxation							637,942
Other information							
Gross loans, advances and financing	61,459,374	43,902,466	-	403,934	105,765,774	(88,071)	105,677,703
Deposits from customers	67,368,252	43,519,874	-	11,482	110,899,608	(14,799)	110,884,809
Inter-segment operating income/(expense)	78,667	(5,104)	(453,315)	405,187	25,435	(25,435)	-
Depreciation of property, plant and equipment and right-of-use assets	32,340	16,724	3,814	89,262	142,140	(2,869)	139,271

44. Segment Information (Continued)

Operating segments (Continued)

	Group	
	2023 RM'000	2022 RM'000
Reconciliation of profit before taxation		
Segment profit	1,886,366	1,324,897
Eliminations		
Interest income:		
- Interest income from loans, advances and financing	(6,698)	(2,826)
- Money at call and deposits	(432)	(399)
Interest expense:		
- Deposits from customers	7,130	3,225
- Deposits and placement of banks and other financial institutions	610	2
- Lease liabilities	20,040	1,028
- Others	105	-
Fee income:		
- Guarantee fees	(35)	(41)
- Commitment fees	(611)	(3)
- Service charges and fees	(2,176)	(3,664)
Other income:		
- Rental income from operating leases	(43,551)	(18,502)
- Others	(72)	-
	(25,690)	(21,180)
Write-back of/(allowance for) ECL	458	(2,142)
Personal expenses:		
- Other employment benefits	188	-
Establishment related expenses:		
- Depreciation of property, plant and equipment	1,551	(5,720)
- Depreciation of right-of-use assets	27,511	8,588
- Repair and maintenance	2,693	1,304
- Short term lease expenses	3,497	8,104
- Others	4,407	3,056
General administrative expenses:		
- Others	36	42
	39,883	15,374
Profit before taxation	1,901,017	1,316,949

45. Capital Management and Capital Adequacy

The Group's and the Bank's capital management objective is to maintain strong capital levels to support our businesses and growth, meet regulatory capital requirements at all times and maintain a good credit rating. We achieve these objectives through the UOBM Group's Internal Capital Adequacy Assessment Process (ICAAP) whereby we actively monitor and manage the Group's capital position over a medium-term horizon involving setting capital targets, forecasting capital demand for material risks based risk appetite and determining the availability and composition of different capital components. The UOBM Group's capital position, capital management plan, contingency capital plan, as well as any capital management actions, are submitted to the Management and/or to the Board for approval.

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia (BNM)'s Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) issued on 3 May 2019.

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Common Equity Tier 1 (CET1)/Tier 1 Capital				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	12,996,815	11,447,521	13,159,032	11,616,857
Other reserves	312,870	66,934	72,490	(173,464)
Regulatory adjustments applied in the calculation of CET1 Capital	(1,194,967)	(1,140,963)	(1,328,553)	(1,492,626)
Total CET1/Tier 1 Capital	12,907,273	11,166,047	12,695,524	10,743,322
Tier 2 Capital				
Tier 2 Capital instruments	1,750,000	2,350,000	1,750,000	2,350,000
Loan/financing loss provision:				
- Surplus eligible provisions over expected losses	339,176	320,555	340,901	321,073
- General provisions	169,764	164,706	160,304	155,041
Regulatory adjustments applied in the calculation of Tier 2 Capital	105,065	105,073	-	-
Total Tier 2 Capital	2,364,005	2,940,334	2,251,205	2,826,114
Total Capital	15,271,278	14,106,381	14,946,729	13,569,436

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

	Group		Bank	
	2023	2022	2023	2022
CET1/Tier 1 Capital	15.945%	14.711%	15.777%	14.283%
Total capital	18.865%	18.585%	18.574%	18.040%
CET1/Tier 1 Capital (net of proposed dividends)	14.992%	14.711%	14.818%	14.283%
Total capital (net of proposed dividends)	17.913%	18.585%	17.616%	18.040%

45. Capital Management and Capital Adequacy (Continued)

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Total RWA for credit risk	72,636,110	68,645,310	72,166,831	67,958,409
Total RWA for market risk	1,050,045	901,920	1,050,045	901,920
Total RWA for operational risk	7,262,705	6,355,695	7,253,444	6,356,550
	80,948,860	75,902,925	80,470,320	75,216,879

46. Credit Exposure Arising From Credit Transactions with Connected Parties

	Group and Bank	
	2023	2022
Outstanding credit exposures with connected parties (RM'000)	2,993,368	2,396,117
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	2.786	2.265
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	0.0001	0.0003

The credit exposures above are derived based on BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties issued on 16 July 2014.

47. Significant and Subsequent Events

Significant events

The following are the significant events of the Group and the Bank during the financial year ended 31 December 2023:

On 16 July 2023, the Bank has successfully migrated ex-Citibank consumer accounts to the Bank's systems.

On 25 July 2023, the Bank has redeemed the RM600 million Basel III compliant Tier 2 subordinated bonds on its first call date.

Subsequent event

On 23 January 2024, the Bank has established its inaugural RM5.0 billion Islamic debt programme, under the Shariah principle of Wakalah Bi Al-Istithmar. The Bank has successfully priced the debut issue of RM500.0 million Basel III-compliant Tier 2 subordinated Islamic medium-term notes (Tier 2 Sukuk Wakalah) at 4.01% per annum. The issuance date is set on 8 February 2024. The Tier 2 Sukuk Wakalah received a AA1 rating by RAM Rating Services Bhd.

48. Islamic Banking Operations

Statements of financial position

As at 31 December 2023

	Note	2023 RM'000	2022 RM'000
Assets			
Cash and short-term funds	a	2,890,491	3,414,153
Securities purchased under resale agreements		296,484	-
Debt instruments at FVOCI	b	1,402,981	611,879
Debt Instruments at amortised cost	c	1,052,481	1,057,889
Other assets	e	30,418	23,020
Derivative financial assets	f	34,266	40,703
Financing, advances and others	d	8,980,260	8,462,188
Statutory deposits with BNM		55,000	10,500
Plant and equipment		10,074	10,903
Deferred tax assets		11,960	14,012
Total assets		14,764,415	13,645,247
Liabilities and Islamic Banking funds			
Deposits from customers	g	5,150,665	5,397,682
Investment accounts due to a designated financial institution	h	4,372,180	3,567,075
Deposits and placements of banks and other financial institutions	i	4,501,649	4,027,838
Bills and acceptances payable		5,674	4,526
Other liabilities	j	62,224	51,302
Derivative financial liabilities	f	33,205	38,407
Tax payable		27,068	24,991
Total liabilities		14,152,665	13,111,821
Capital fund		450,000	450,000
Reserves		161,750	83,426
Islamic Banking funds	k	611,750	533,426
Total liabilities and Islamic Banking funds		14,764,415	13,645,247
Commitments and contingencies	s	8,001,391	5,230,611

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

48. Islamic Banking Operations (Continued)

Statements of profit or loss and other comprehensive income

For the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Income derived from depositors' funds	l	353,287	276,091
Income derived from investment of Islamic Banking funds	m	35,469	25,786
Income derived from investment of investment account funds	n	162,929	118,741
(Allowance for)/write-back of ECL on:			
Financing, advances and others	o	(29,305)	(13,567)
Other financial assets	o	1,670	(1,007)
Commitments and contingencies	o	2,800	1,603
Total attributable income		526,850	407,647
Income attributable to depositors	p	(253,246)	(179,403)
Income attributable to an investment account holder	q	(128,848)	(93,482)
Total net income		144,756	134,762
Other operating expenses	r	(43,410)	(39,565)
Profit for the year before taxation		101,346	95,197
Income tax expense		(27,656)	(22,714)
Profit for the year after taxation		73,690	72,483
Other comprehensive income/(loss):			
Items that will be reclassified subsequently to statements of profit or loss:			
Net fair value changes in debt instruments at FVOCI		6,098	(3,095)
Income tax effect		(1,464)	743
Total other comprehensive income/(loss) for the year, net of tax		4,634	(2,352)
Total comprehensive income for the year		78,324	70,131

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

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

	2023 RM'000	2022 RM'000
Income derived from depositors' funds	353,287	276,091
Income derived from investment of Islamic Banking funds	35,469	25,786
Income derived from investment of investment account funds	162,929	118,741
Income attributable to depositors	(253,246)	(179,403)
Income attributable to an investment account holder	(128,848)	(93,482)
Net income from Islamic Banking operations reported in the profit or loss of the Group and the Bank	169,591	147,733

48. Islamic Banking Operations (Continued)

Statements of changes in Islamic Banking funds

For the financial year ended 31 December 2023

	Capital fund RM'000	FVOCI reserve RM'000	Retained profit RM'000	Total RM'000
2023				
Balance as at 1 January	450,000	(3,318)	86,744	533,426
Profit for the year	-	-	73,690	73,690
Other comprehensive income	-	4,634	-	4,634
Total comprehensive income	-	4,634	73,690	78,324
Balance as at 31 December	450,000	1,316	160,434	611,750
2022				
Balance as at 1 January	450,000	(966)	14,261	463,295
Profit for the year	-	-	72,483	72,483
Other comprehensive loss	-	(2,352)	-	(2,352)
Total comprehensive (loss)/income	-	(2,352)	72,483	70,131
Balance as at 31 December	450,000	(3,318)	86,744	533,426

48. Islamic Banking Operations (Continued)

Statements of cash flows

For the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Cash flows from operating activities			
Profit before taxation		101,346	95,197
Adjustments for:			
Profit income from financial instruments at FVOCI	l,m	(37,738)	(49,203)
Profit income from financial instruments at amortised cost	l,m	(44,441)	(25,058)
Allowance for/(write-back of) ECL on:			
Financing, advances and others	o	29,305	13,567
Other financial assets	o	(1,670)	1,007
Commitments and contingencies	o	(2,800)	(1,603)
Depreciation of plant and equipment	r	1,902	848
Trading (income)/loss	l,m	(4,688)	610
Operating income before working capital changes		41,216	35,365
(Increase)/decrease in operating assets:			
Securities purchased under resale agreements		(296,484)	-
Financing, advances and others		(547,377)	(615,991)
Derivative financial assets		11,125	(39,349)
Other assets		(5,724)	(20,532)
Statutory deposits with BNM		(44,500)	(10,500)
		(882,960)	(686,372)
Increase/(decrease) in operating liabilities:			
Deposits from customers		(247,017)	263,366
Investment accounts due to designated financial institution		805,105	811,624
Deposits and placements of banks and other financial institutions		473,811	867,910
Derivative financial liabilities		(5,202)	36,696
Other liabilities		13,722	(68,881)
Bills and acceptances payable		1,148	3,927
		1,041,567	1,914,642
Cash generated from operations		199,823	1,263,635
Tax paid		(24,991)	(3,154)
Net cash generated from operating activities		174,832	1,260,481

48. Islamic Banking Operations (Continued)

Statements of cash flows (Continued)

For the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Cash flows from investing activities			
Purchase of plant and equipment		(1,073)	(7,388)
Profit income from financial instruments at FVOCI		37,738	49,203
(Purchase)/net disposal of debt instruments at FVOCI		(785,096)	1,358,441
Net disposal/(purchase) of debt instruments at amortised cost		49,853	(933,980)
Net cash (used in)/generated from investing activities		(698,578)	466,276
Net (decrease)/increase in cash and cash equivalents		(523,746)	1,726,757
Cash and cash equivalents at beginning of the year		3,414,659	1,687,902
Cash and cash equivalents at end of the year		2,890,913	3,414,659
Analysis of cash and cash equivalents			
Cash and short-term funds	a	2,890,913	3,414,659
Less: Allowance for ECL	a	(422)	(506)
		2,890,491	3,414,153

(a) Cash and short-term funds

	2023 RM'000	2022 RM'000
Cash and balances with banks and other financial institutions	2,600,913	836,859
Money at call and deposit placements maturing within one month	290,000	2,577,800
	2,890,913	3,414,659
Less: Allowance for ECL	(422)	(506)
	2,890,491	3,414,153

48. Islamic Banking Operations (Continued)

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

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

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	506	-	-	506
Allowance made	307	-	-	307
Maturity/settlement/repayment	(394)	-	-	(394)
Exchange differences	3	-	-	3
Net total (Note (o))	(84)	-	-	(84)
At 31 December	422	-	-	422

2022				
At 1 January	986	-	-	986
Allowance made	506	-	-	506
Maturity/settlement/repayment	(1,023)	-	-	(1,023)
Exchange differences	37	-	-	37
Net total (Note (o))	(480)	-	-	(480)
At 31 December	506	-	-	506

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

	2023 RM'000	2022 RM'000
Money market instruments		
Bank Negara Malaysia bills	99,955	-
Government Islamic investments	1,303,026	611,879
	1,402,981	611,879

48. Islamic Banking Operations (Continued)

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

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

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	93	-	-	93
Allowance made	150	-	-	150
Maturity/settlement/repayment	(58)	-	-	(58)
Net total (Note (o))	92	-	-	92
At 31 December	185	-	-	185

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	409	-	-	409
Allowance made	93	-	-	93
Maturity/settlement/repayment	(409)	-	-	(409)
Net total (Note (o))	(316)	-	-	(316)
At 31 December	93	-	-	93

(c) Debt instruments at amortised cost

	2023 RM'000	2022 RM'000
Money market instruments		
Government Islamic investment	963,704	971,038
Less: Allowance for ECL	(126)	(147)
	963,578	970,891
Private debt securities of companies incorporated in Malaysia		
Unquoted corporate sukuk	88,922	87,000
Less: Allowance for ECL	(19)	(2)
	88,903	86,998
Total debt instruments at amortised cost	1,052,481	1,057,889

48. Islamic Banking Operations (Continued)

(c) Debt instruments at amortised cost (Continued)

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

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	149	-	-	149
Allowance made	23	-	-	23
Maturity/settlement/repayment	(27)	-	-	(27)
Net total (Note (o))	(4)	-	-	(4)
At 31 December	145	-	-	145
2022				
At 1 January	26	-	-	26
Allowance made	147	-	-	147
Maturity/settlement/repayment	(24)	-	-	(24)
Net total (Note (o))	123	-	-	123
At 31 December	149	-	-	149

(d) Financing, advances and others

(i) Financing by type of Shariah contract:

	Sale based contracts			
2023	**Tawarruq RM'000**	**Murabahah RM'000**	**Bai Al-Dayn RM'000**	**Total RM'000**
Term financing and revolving credits:				
- Housing financing	3,725,520	-	-	3,725,520
- Syndicated term financing	25,723	-	-	25,723
- Others term financing and revolving credits	4,864,902	-	-	4,864,902
Trust receipt	318,188	-	-	318,188
Claim on customers under acceptance credit	-	166,641	1,810	168,451
Gross financing, advances and others	8,934,333	166,641	1,810	9,102,784
Allowance for ECL on financing, advances and others:				
- Stage 1 - 12-month ECL				(17,656)
- Stage 2 - Lifetime ECL non credit-impaired				(52,737)
- Stage 3 - Lifetime ECL credit-impaired				(52,131)
Net financing, advances and others				8,980,260

48. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

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

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

Included in financing and advances are specific business ventures funded by the Restricted Specific Investment Account (RSIA) arrangement between Islamic Banking and Conventional Banking. The Conventional Banking, being the RSIA depositor, is exposed to the risks and rewards of the business venture and accounts for the ECL allowance arising thereon.

As at 31 December 2023, the gross exposure and ECL relating to RSIA financing amounting to RM2,412,861,026 (2022: RM2,371,390,347) and RM40,134,901 (2022: RM17,383,012), respectively.

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

	2023 RM'000	2022 RM'000
Maturing within one year	1,109,244	588,267
One year to three years	1,615,575	1,154,727
Three years to five years	317,040	1,164,643
Over five years	6,060,925	5,727,795
	9,102,784	8,635,432

48. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

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

	2023 RM'000	2022 RM'000
Domestic non-banking financial institutions:		
- Others	885,540	1,087,117
Domestic business enterprises:		
- Small and medium enterprises	2,024,980	1,866,517
- Others	2,187,981	1,977,245
Individuals	3,857,355	3,557,518
Foreign entities	146,928	147,035
	9,102,784	8,635,432

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

	2023 RM'000	2022 RM'000
Fixed rate:		
- Fixed rate financing	294,391	1,354,008
Variable rate:		
- Base rate/base financing rate-plus	5,227,580	4,922,508
- Cost-plus	3,580,813	2,358,916
	9,102,784	8,635,432

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

	2023 RM'000	2022 RM'000
Agriculture, hunting, forestry and fishing	322,389	262,358
Mining and quarrying	19,388	90,251
Manufacturing	1,005,253	1,058,834
Electricity, gas and water	499,988	386,232
Construction	331,579	362,925
Wholesale, retail trade, restaurants and hotels	1,145,559	943,902
Transport, storage and communication	125,856	176,132
Finance, takaful and business services	1,168,755	1,257,514
Real estate	395,818	305,192
Community, social and personal services	83,916	87,534
Households:		
- Purchase of residential properties	3,733,537	3,449,440
- Purchase of non-residential properties	202,685	194,329
- Others	68,061	60,789
	9,102,784	8,635,432

48. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

(vi) Gross financing, advances and others by geographical distribution:

	2023 RM'000	2022 RM'000
In Malaysia	8,955,856	8,488,397
Outside Malaysia	146,928	147,035
	9,102,784	8,635,432

(vii) Movements in the allowance for ECL on financing, advances and others are as follows:

	Stage 1	Stage 2	Stage 3	
2023	**12-month ECL RM'000**	**Lifetime ECL non credit-impaired RM'000**	**Lifetime ECL credit-impaired RM'000**	**Total ECL RM'000**
At 1 January	17,786	22,752	132,706	173,244
Transferred to Stage 1	8,177	(6,835)	(1,342)	-
Transferred to Stage 2	(614)	1,983	(1,369)	-
Transferred to Stage 3	(88)	(3,873)	3,961	-
Net remeasurement of allowance	(7,045)	(6,608)	13,290	(363)
Allowance made	10,129	46,998	7,798	64,925
Maturity/settlement/repayment	(10,689)	(1,680)	(4,380)	(16,749)
Net total (Note (o))	(130)	29,985	17,958	47,813
Amounts written-off	-	-	(98,533)	(98,533)
At 31 December	17,656	52,737	52,131	122,524
2022				
At 1 January	16,663	38,497	108,844	164,004
Transfer from business acquisition	93	531	660	1,284
Transferred to Stage 1	24,406	(21,418)	(2,988)	-
Transferred to Stage 2	(1,064)	1,914	(850)	-
Transferred to Stage 3	(417)	(2,491)	2,908	-
Net remeasurement of allowance	(17,517)	10,284	24,621	17,388
Allowance made	10,044	40	9,191	19,275
Maturity/settlement/repayment	(14,422)	(4,605)	(3,717)	(22,744)
Net total (Note (o))	1,030	(16,276)	29,165	13,919
Amounts written-off	-	-	(5,963)	(5,963)
At 31 December	17,786	22,752	132,706	173,244

48. Islamic Banking Operations (Continued)

(d) Financing, advances and others (Continued)

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

	2023 RM'000	2022 RM'000
At 1 January	251,343	200,362
Transfer from business acquisition	-	3,304
Classified as credit-impaired during the financial year	100,347	103,502
Amount recovered	(21,636)	(24,614)
Reclassified as non credit-impaired	(14,579)	(24,861)
Amount written-off	(100,064)	(6,350)
Gross credit-impaired financing, advances and others	215,411	251,343
Less: Stage 3 - Lifetime ECL credit-impaired	(52,131)	(132,706)
Net credit-impaired financing, advances and others	163,280	118,637
Ratio of net credit-impaired financing, advances and others to gross financing, advances and others less allowance for ECL on credit-impaired provision	1.8%	1.4%

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

	2023 RM'000	2022 RM'000
Mining and quarrying	-	81,862
Manufacturing	6,659	7,814
Construction	28,788	31,598
Wholesale, retail trade, restaurants and hotels	16,842	15,759
Transport, storage and communication	5,558	3,317
Finance, insurance and business services	2,544	2,411
Community, social and personal services	4,067	4,954
Households:		
- purchase of residential properties	142,734	99,293
- purchase of non-residential properties	6,820	4,114
- others	1,399	221
	215,411	251,343

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

	2023 RM'000	2022 RM'000
In Malaysia	210,845	249,005
Outside Malaysia	4,566	2,338
	215,411	251,343

48. Islamic Banking Operations (Continued)

(e) Other assets

	2023 RM'000	2022 RM'000
Other receivables, deposits and prepayments	4,975	10,538
Profit receivable	25,452	14,165
Less: Allowance for ECL	(9)	(1,683)
	30,418	23,020

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

	Stage 1	Stage 2	Stage 3	
2023	12-month ECL RM'000	Lifetime ECL non credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	1,131	552	-	1,683
Allowance made	4	4	-	8
Maturity/settlement/repayment	(1,172)	(572)	-	(1,744)
Exchange differences	42	20	-	62
Net total (Note (o))	(1,126)	(548)	-	(1,674)
At 31 December	5	4	-	9
2022				
At 1 January	2	1	-	3
Allowance made	1,131	551	-	1,682
Maturity/settlement/repayment	(2)	-	-	(2)
Net total (Note (o))	1,129	551	-	1,680
At 31 December	1,131	552	-	1,683

48. Islamic Banking Operations (Continued)

(f) Financial derivatives

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

The fair value of the financial derivatives are as follows:

2023	**Contract or underlying principal amount RM'000**	**Positive fair value RM'000**	**Negative fair value RM'000**
Foreign exchange contracts:			
- Forwards	1,508,337	5,702	18,538
- Swaps	2,488,312	27,552	13,683
Profit rate related contracts:			
- Swaps	800,000	1,012	984
		34,266	33,205
2022			
Foreign exchange contracts:			
- Forwards	839,202	1,651	29,765
- Swaps	783,513	32,110	2,083
Profit rate related contracts:			
- Swaps	953,000	6,942	6,559
		40,703	38,407

(g) Deposits from customers

(i) By type of deposits:

	2023 RM'000	**2022 RM'000**
Non-mudarabah fund		
Demand deposits:		
- Qard	889,704	665,189
Savings deposits:		
- Qard	130,158	73,393
Fixed deposits:		
- Tawarruq	3,898,493	4,598,424
Other deposits:		
- Tawarruq	232,310	60,676
	5,150,665	5,397,682

48. Islamic Banking Operations (Continued)

(g) Deposits from customers (Continued)

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

	2023 RM'000	2022 RM'000
Due within six months	1,384,749	2,219,342
Six months to one year	2,513,672	2,369,081
One year to three years	72	10,001
	3,898,493	4,598,424

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

	2023 RM'000	2022 RM'000
Business enterprises	2,162,432	1,462,398
Individuals	2,791,201	3,672,164
Others	197,032	263,120
	5,150,665	5,397,682

(h) Investment accounts due to a designated financial institution

	2023 RM'000	2022 RM'000
Mudarabah RSIA		
Conventional Banking	4,412,315	3,584,458
Amount receivable from Conventional Banking	(40,135)	(17,383)
	4,372,180	3,567,075

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

	2023 RM'000	2022 RM'000
Non-mudarabah fund		
Other financial institutions	4,501,649	4,027,838

48. Islamic Banking Operations (Continued)

(j) Other liabilities

	2023 RM'000	2022 RM'000
Allowance for ECL on commitments and contingencies	11,275	10,745
Accrued profit payable	33,908	28,833
Accruals and provisions for operational expenses	1,098	1,004
Other payables and accruals	10,185	3,176
Deferred income	5,758	7,544
	62,224	51,302

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

	Stage 1	Stage 2	Stage 3	
2023	**12-month ECL RM'000**	**Lifetime ECL non credit-impaired RM'000**	**Lifetime ECL credit-impaired RM'000**	**Total ECL RM'000**
At 1 January	9,742	1,003	-	10,745
Transferred to Stage 1	60	(60)	-	-
Transferred to Stage 2	(64)	64	-	-
Net remeasurement of allowance	(36)	91	-	55
Allowance made	8,152	128	-	8,280
Maturity/settlement/repayment	(7,248)	(559)	-	(7,807)
Exchange differences	2	-	-	2
Net total (Note (o))	866	(336)	-	530
At 31 December	10,608	667	-	11,275
2022				
At 1 January	12,703	4,140	-	16,843
Transferred to Stage 1	3,836	(3,836)	-	-
Transferred to Stage 2	(515)	515	-	-
Net remeasurement of allowance	(397)	183	-	(214)
Allowance made	722	814	-	1,536
Maturity/settlement/repayment	(6,608)	(813)	-	(7,421)
Exchange differences	1	-	-	1
Net total (Note (o))	(2,961)	(3,137)	-	(6,098)
At 31 December	9,742	1,003	-	10,745

48. Islamic Banking Operations (Continued)

(k) Islamic Banking funds

	2023 RM'000	2022 RM'000
Capital fund	450,000	450,000
FVOCI reserve	1,316	(3,318)
Retained profits	160,434	86,744
	611,750	533,426

(l) Income derived from depositors' funds

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing, advances and others	245,889	187,815
Credit-impaired financing, advances and others	4,039	5,947
Money at call and deposit placements with financial institutions	5,083	11,873
Finance assets at FVTPL	789	-
Debt instruments at FVOCI	34,308	45,070
Debt instruments at amortised cost	40,387	22,815
	330,495	273,520
Amortisation of premiums, net	(9,262)	(12,772)
Total finance income and hibah	321,233	260,748
Other operating income/(loss)		
Trading income/(loss)	4,264	(531)
Commission income	8,010	6,690
Fee income	19,667	9,094
Others	113	90
Total other operating income	32,054	15,343
	353,287	276,091

48. Islamic Banking Operations (Continued)

(m) Income derived from investment of Islamic Banking funds

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing, advances and others	24,673	17,612
Credit-impaired financing, advances and others	405	517
Money at call and deposit placements with financial institutions	544	1,084
Finance assets at FVTPL	77	-
Debt instruments at FVOCI	3,430	4,133
Debt instruments at amortised cost	4,054	2,243
	33,183	25,589
Amortisation of premiums, net	(932)	(1,211)
Total finance income and hibah	32,251	24,378
Other operating income/(loss)		
Trading income/(loss)	424	(79)
Commission income	805	626
Fee income	1,977	852
Others	12	9
Total other operating income	3,218	1,408
	35,469	25,786

(n) Income derived from investment of investment account funds

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing, advances and others	129,063	92,008
Money at call and deposit placements with financial institutions	31,698	24,845
	160,761	116,853
Other operating income		
Fee income	2,168	1,888
	162,929	118,741

48. Islamic Banking Operations (Continued)

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

	2023 RM'000	2022 RM'000
Financing, advances and others (Note d(vii)):		
- Stage 1 ECL	(130)	1,030
- Stage 2 ECL	29,985	(16,276)
- Stage 3 ECL	17,958	29,165
Movement in ECL for RSIA holder*	(19,422)	(799)
	28,391	13,120
Credit-impaired financing, advances and others:		
- written-off	1,997	522
- recovered	(1,083)	(75)
	29,305	13,567
Other financial assets:		
- Stage 1 ECL	(1,122)	456
- Stage 2 ECL	(548)	551
	(1,670)	1,007
Commitments and contingencies (Note j):		
- Stage 1 ECL	866	(2,961)
- Stage 2 ECL	(336)	(3,137)
Movement in ECL for RSIA holder*	(3,330)	4,495
	(2,800)	(1,603)
	24,835	12,971

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

(p) Income attributable to depositors

	2023 RM'000	2022 RM'000
Income attributable to depositors from non-mudarabah fund	253,246	179,403

48. Islamic Banking Operations (Continued)

(q) Income attributable to investment account holders

	2023 RM'000	2022 RM'000
Income attributable to depositors from mudarabah fund	128,848	93,482

(r) Other operating expenses

	2023 RM'000	2022 RM'000
Personnel expenses	4,239	3,801
Establishment related expenses	7,139	6,387
Promotion and marketing related expenses	302	424
General administrative expenses	31,730	28,953
	43,410	39,565
Personnel expenses:		
- Wages, salaries and bonus	3,346	2,961
- Defined contribution plan	533	473
- Other employee benefits	360	367
	4,239	3,801
Establishment related expenses:		
- Depreciation of plant and equipment	1,902	848
- Information technology costs	1,789	1,422
- Repair and maintenance	43	9
- Short-term lease expenses	105	9
- Others	3,300	4,099
	7,139	6,387
Promotion and marketing related expenses:		
- Advertisement and publicity	302	424
General administrative expenses:		
- Fees and commissions paid	577	544
- Management fee	30,356	27,880
- Others	797	529
	31,730	28,953

48. Islamic Banking Operations (Continued)

(r) Other operating expenses (Continued)

Included in other operating expenses is the Shariah Committee's remuneration. The total remuneration of the Shariah Committee members are as follows:

	2023 RM'000	2022 RM'000
Dr. Zaharuddin Bin Abdul Rahman	92	58
Dr. Samsuri bin Sharif	72	81
Datin Dr. Wan Marhaini Binti Wan Ahmad	74	74
Prof. Dr. Noraini Binti Mohd Ariffin	74	74
Muhammad Pisol Bin Mohd @ Mat Isa (appointed on 16 October 2023)	15	-
	327	287

(s) Commitments and contingencies

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

2023	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	152,922	152,922	154,006
Transaction-related contingent items	220,324	110,162	116,737
Short-term self-liquidating trade-related contingencies	4,321	864	746
Foreign exchange related contracts:			
- not more than one year	3,996,649	31,594	11,778
Profit rate related contracts:			
- not more than one year	200,000	100	23
- more than one year to less than five years	600,000	3,346	823
Undrawn credit facilities:			
- not more than one year	758,313	14,145	4,642
- more than one year	925,188	669,076	456,951
- unconditionally cancellable	1,143,674	-	-
	8,001,391	982,209	745,706

48. Islamic Banking Operations (Continued)

(s) Commitments and contingencies (Continued)

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

2022	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	137,779	137,778	261,648
Transaction-related contingent items	201,412	101,196	163,942
Short-term self-liquidating trade-related contingencies	3,150	2,052	486
Foreign exchange related contracts:			
- not more than one year	1,617,958	12,836	9,746
- more than one year to less than five years	4,757	283	198
Profit rate related contracts:			
- not more than one year	753,000	941	659
- more than one year to less than five years	200,000	1,000	262
Undrawn credit facilities:			
- not more than one year	315,820	12,099	4,232
- more than one year	897,964	635,263	280,511
- unconditionally cancellable	1,098,771	-	-
	5,230,611	903,448	721,684

(t) Capital management and capital adequacy

The capital adequacy ratios of Islamic Banking window are computed in accordance with the BNM Capital Adequacy Framework for Islamic Banking (Capital Components) issued on 9 December 2020 and Basel II - Risk-weighted Assets Framework for Islamic Banking issued on 3 May 2019.

	2023 RM'000	2022 RM'000
Common Equity Tier 1 ("CET1")/Tier 1 Capital		
Capital fund	450,000	450,000
Retained profits	160,434	86,744
Other reserves	1,316	(3,318)
Regulatory adjustments applied in the calculation of CET1 Capital	(13,220)	(14,025)
Total CET1/Tier 1 Capital	598,530	519,401
Tier 2 Capital		
Financing loss provision:		
- Surplus eligible provisions over expected losses	935	18,722
- General provisions	680	788
Total Tier 2 Capital	1,615	19,510
Total Capital	600,145	538,911

48. Islamic Banking Operations (Continued)

(t) Capital management and capital adequacy (Continued)

(i) The capital adequacy ratios are as follows:

	2023	2022
Before the effects of RSIA		
CET1/Tier 1 Capital	9.498%	9.521%
Total Capital	9.532%	10.101%
After the effects of RSIA		
CET1/Tier 1 Capital	15.850%	15.221%
Total Capital	15.893%	15.793%

In accordance with BNM's Guidelines on the Investment Account, the credit and market risk weighted assets funded by the RSIA which qualify as risk absorbent are excluded from the calculation of capital adequacy ratio. As at 31 December 2023, credit risks related to RSIA assets excluded from the total capital ratio calculation amounting to RM2,525,612,204 (2022: RM2,043,006,700).

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

	2023 RM'000	2022 RM'000
Total RWA for credit risk	3,484,315	3,183,356
Total RWA for market risk	4,976	4,847
Total RWA for operational risk	286,865	224,198
	3,776,156	3,412,401

48. Islamic Banking Operations (Continued)

(u) Mudarabah RSIA

(i) Movement in the Mudarabah RSIA

	2023 RM'000	2022 RM'000
As at 1 January	3,567,075	2,755,451
Funding inflows/(outflows)		
New placement during the year	1,360,998	909,775
Profit to fund provider	(130,344)	(94,993)
Income from investment	162,929	118,741
Redemption during the year	(533,140)	(101,847)
Share of profit		
Profit distributed to mudarib	(32,586)	(23,748)
Amount receivable from Conventional Banking	(22,752)	3,696
As at 31 December	4,372,180	3,567,075
Investment assets		
Financing and advances	2,412,861	2,371,390
Interbank placement	1,959,319	1,195,685
	4,372,180	3,567,075

(ii) Profit sharing ratio and rate of return

	Average profit sharing ratio (Depositor: Islamic Banking operations)		Average rate of return (%)	
	2023	2022	2023	2022
Up to 1 year	80:20	80:20	4.02	3.12
Over 5 years	80:20	80:20	3.49	3.39

48. Islamic Banking Operations (Continued)

(v) Profit rate risk

The Islamic Banking window is exposed to various risks associated with the effects of fluctuation in the prevailing level of market profit rate on the financial position and cashflows. The following tables summarise the exposures to profit rate risk. The financial assets and financial liabilities at carrying amounts are categorised by the earlier of the next contractual repricing and maturity dates.

	Non-trading book							
2023	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	Non-profit Sensitive RM'000	Trading Book RM'000	Total RM'000
Assets								
Cash and short-term funds	2,890,913	-	-	-	-	(422)	-	2,890,491
Securities purchased under resale agreements	-	296,484	-	-	-	-	-	296,484
Debt instruments at FVOCI	99,955	-	351,464	571,906	379,656	-	-	1,402,981
Debt instruments at amortised cost	5,757	538,537	29,934	478,253	-	-	-	1,052,481
Other assets	-	-	-	-	-	30,418	-	30,418
Derivative financial assets	-	-	-	-	-	-	34,266	34,266
Financing, advances and others	1,048,280	58,178	2,786	1,932,615	6,060,925	(122,524)	-	8,980,260
Statutory deposits with BNM	-	-	-	-	-	55,000	-	55,000
	4,044,905	893,199	384,184	2,982,774	6,440,581	(37,528)	34,266	14,742,381
Liabilities								
Deposits from customers	2,199,648	437,084	2,511,931	2,002	-	-	-	5,150,665
Investment accounts due to a designated financial institution	171,158	68,675	1,657,567	2,239,275	235,505	-	-	4,372,180
Deposits and placements of banks and other financial institutions	4,206,125	295,524	-	-	-	-	-	4,501,649
Bills and acceptances payable	-	-	-	-	-	5,674	-	5,674
Derivative financial liabilities	-	-	-	-	-	-	33,205	33,205
Other liabilities	-	-	-	-	-	62,224	-	62,224
	6,576,931	801,283	4,169,498	2,241,277	235,505	67,898	33,205	14,125,597
Total profit sensitivity gap	(2,532,026)	91,916	(3,785,314)	741,497	6,205,076	(105,426)	1,061	616,784

48. Islamic Banking Operations (Continued)

(v) Profit rate risk (Continued)

	Non-trading book							
2022	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-profit Sensitive RM'000	Trading Book RM'000	Total RM'000
Assets								
Cash and short-term funds	3,414,659	-	-	-	-	(506)	-	3,414,153
Debt instruments at FVOCI	-	250,055	-	361,824	-	-	-	611,879
Debt instruments at amortised cost	-	-	-	1,057,889	-	-	-	1,057,889
Other assets	-	-	-	-	-	23,020	-	23,020
Derivative financial assets	-	-	-	-	-	-	40,703	40,703
Financing, advances and others	558,571	21,694	8,002	2,319,370	5,727,795	(173,244)	-	8,462,188
Statutory deposits with BNM	-	-	-	-	-	10,500	-	10,500
	3,973,230	271,749	8,002	3,739,083	5,727,795	(140,230)	40,703	13,620,332
Liabilities								
Deposits from customers	2,025,586	993,014	2,369,081	10,001	-	-	-	5,397,682
Investment accounts due to a designated financial institution	253,503	-	690,006	2,509,816	113,750	-	-	3,567,075
Deposits and placements of banks and other financial institutions	4,027,838	-	-	-	-	-	-	4,027,838
Bills and acceptances payable	-	-	-	-	-	4,526	-	4,526
Derivative financial liabilities	-	-	-	-	-	-	38,407	38,407
Other liabilities	-	-	-	-	-	51,302	-	51,302
	6,306,927	993,014	3,059,087	2,519,817	113,750	55,828	38,407	13,086,830
Total profit sensitivity gap	(2,333,697)	(721,265)	(3,051,085)	1,219,266	5,614,045	(196,058)	2,296	533,502

48. Islamic Banking Operations (Continued)

(w) 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.

2023	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	2,890,491	-	-	-	-	2,890,491
Securities purchased under resale agreements	-	302,352	-	-	-	302,352
Debt instruments at FVOCI	99,955	-	356,062	579,943	384,724	1,420,684
Debt instruments at amortised cost	5,757	541,116	30,168	481,946	-	1,058,987
Derivative financial assets	34,266	-	-	-	-	34,266
Financing, advances and others	1,785,234	611,880	906,452	2,130,046	8,001,158	13,434,770
Statutory deposits with BNM	-	-	-	-	55,000	55,000
	4,815,703	1,455,348	1,292,682	3,191,935	8,440,882	19,196,550
Liabilities						
Deposits from customers	2,203,490	442,728	2,579,739	2,070	-	5,228,027
Investment accounts due to a designated financial institution	172,361	69,614	1,691,007	2,450,008	332,561	4,715,551
Deposits and placements of banks and other financial institutions	4,218,903	301,095	-	-	-	4,519,998
Bills and acceptances payable	5,674	-	-	-	-	5,674
Derivative financial liabilities	33,205	-	-	-	-	33,205
	6,633,633	813,437	4,270,746	2,452,078	332,561	14,502,455
Net maturity mismatches	(1,817,930)	641,911	(2,978,064)	739,857	8,108,321	
Off-balance sheet liabilities						
Credit and commitments	1,572,369	429,395	1,867,256	643,714	612,132	5,124,866
Net maturity mismatches	1,572,369	429,395	1,867,256	643,714	612,132	5,124,866

48. Islamic Banking Operations (Continued)

(w) Liquidity risk (Continued)

2022	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets						
Cash and short-term funds	3,414,153	-	-	-	-	3,414,153
Debt instruments at FVOCI	-	251,056	-	365,893	-	616,949
Debt instruments at amortised cost	-	-	-	1,060,081	-	1,060,081
Derivative financial assets	40,703	-	-	-	-	40,703
Financing, advances and others	1,089,152	536,033	1,146,965	2,125,891	7,409,267	12,307,308
Statutory deposits with BNM	-	-	-	-	10,500	10,500
	4,544,008	787,089	1,146,965	3,551,865	7,419,767	17,449,694
Liabilities						
Deposits from customers	2,030,365	1,002,523	2,447,794	10,541	-	5,491,223
Investment accounts due to a designated financial institution	33,743	510,472	102,588	2,809,131	145,879	3,601,813
Deposits and placements of banks and other financial institutions	4,043,932	-	-	-	-	4,043,932
Bills and acceptances payable	4,526	-	-	-	-	4,526
Derivative financial liabilities	38,407	-	-	-	-	38,407
	6,150,973	1,512,995	2,550,382	2,819,672	145,879	13,179,901
Net maturity mismatches	(1,606,965)	(725,906)	(1,403,417)	732,193	7,273,888	
Off-balance sheet liabilities						
Credit and commitments	909,107	103,323	19,482	1,246,861	1,215,326	3,494,099
Net maturity mismatches	909,107	103,323	19,482	1,246,861	1,215,326	3,494,099

Right By You

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