大華銀行

United Overseas Bank (Malaysia) Bhd

Annual Report 2012

Splendour of Rainforests
Ngiam Kiah Seng

CONTENTS

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

***Splendour of Rainforests* by Ngiam Kiah Seng**

Ink and Colour on Paper

Ngiam Kiah Seng received the Platinum Award in the 2010 UOB Painting Of The Year Competition for this painting. It is the design inspiration behind this year's Annual Report.

The rainforest trees symbolise longevity, synonymous with UOB's long-term focus on how it manages and operates its businesses across the region.

Ngiam's piece is now one of the works in the UOB Art Collection. The collection began in the 1970s as a way to support the local art scene in Singapore and has grown to include more than 1,700 pieces from around the region. Many of these pieces are on display at the Group's offices worldwide.

About United Overseas Bank (Malaysia) Bhd

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

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

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

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

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

Chairman's Statement

2012 Review

The Malaysian economy remained sturdy in the face of global uncertainties as it was supported by strong domestic demand and investment activities under the Government's Economic Transformation Programme.

Against this backdrop, we are pleased to report that United Overseas Bank (Malaysia) Bhd (UOB (Malaysia)) continued to deliver strong growth, in line with our focus on steady progress. The Bank recorded after-tax profit of RM927.0 million, 11.4 per cent higher compared with 2011.

Total income increased by 13.9 per cent to RM2,134.8 million (2011: RM1,874.3 million) driven by higher net interest income and other operating income. Net interest income grew by 10.7 per cent to RM1,457.4 million (2011: RM1,316.1 million) mainly due to healthy loans growth and higher interest income from investment securities. Both fee, and investment and trading income contributed to a significant increase in other operating income by 21.4 per cent to RM677.4 million (2011: RM558.1 million).

Total operating expenses increased by 4.9 per cent to RM729.0 million (2011: RM695.3 million) mainly from higher staff costs as we continued investing in our people. Nevertheless, the cost-to-income ratio improved to 34.1 per cent from 37.1 per cent in the previous year.

Asset quality remained healthy with the net non-performing loans ratio maintained at 1.2 per cent, although the allowance for impairment on loans and advances increased to RM220.0 million (2011: RM98.6 million). The lower impairments in 2011 were mainly due to strong bad debt recoveries.

Gross loans increased by 17.2 per cent to RM55.9 billion (2011: RM47.7 billion) while non-bank deposits rose by 24.6 per cent to RM65.6 billion (2011: RM52.6 billion). Both outpaced the industry's growth rate of 10.3 per cent and 9.0 per cent respectively. Net loans-to-deposit ratio improved from 89.2 per cent to 83.9 per cent.

We gained traction in the debt capital market and this enhanced the Bank's fee-based revenue capabilities. We were ranked 10th on the Bond League Table in 2012, up from 12th in the previous year.

In July 2012, the Bank's long-term financial institution rating was upgraded by RAM Rating Services Berhad to AAA from its previous rating of AA1.

2013 Outlook

The global economy is expected to remain challenging in 2013 given the overhang of the Eurozone sovereign debt crisis, potential sluggish growth in the US and a moderate environment in China. Despite these external headwinds, Malaysia's growth momentum is expected to be supported by resilient domestic demand in private consumption and investment. Private consumption will be supported by income growth and stable employment conditions. Investment activities are expected to remain firm on the back of increased capital spending in the domestic-oriented sectors and implementation of the government's infrastructure projects. Malaysia's Gross Domestic Product is expected to maintain a growth rate of about five per cent in 2013 and the interest rate environment is forecast to remain accommodative.

"In view of the challenges ahead, we will continue our disciplined approach to manage our balance sheet to grow fee and other income. We will also look at strengthening our talent pool and staff development, improving our IT systems and our processes, and enhancing our products and services to stay relevant and competitive in this increasingly demanding landscape."

Deposits acquisition is expected to intensify amid greater emphasis on liquidity as banks prepare for the implementation of Basel III. This will continue to exert pressure on the cost of funds, leading to further compression on net interest margin. We will continue to focus on growing non-interest income, intensifying cross-selling and generating fee-based income from lending relationships.

Competition for talent is also expected to heat up as major local banks push ahead with their regional expansion plans while the new foreign-licensed banks build up their local operations. This will have an impact on talent retention and staff costs.

In view of the challenges ahead, we will continue our disciplined approach to manage our balance sheet to grow fee and other income. We will also look at strengthening our talent pool and staff development, improving our IT systems and our processes, and enhancing our products and services to stay relevant and competitive in this increasingly demanding landscape.

Corporate Developments

In ensuring a smooth leadership transition, I will be relinquishing the chairmanship of UOB (Malaysia) after the forthcoming Annual General Meeting. The Board has appointed our new independent director Mr Ong Yew Huat, former Executive Chairman of Ernst & Young LLP, as the non-executive Chairman.

As the Board has appointed me Chairman Emeritus of UOB (Malaysia), I will remain on the Board and will continue to advise and provide guidance on the future of the Bank.

The Board also welcomes Mr Wong Kim Choong as the Director and Chief Executive Officer (CEO) of UOB (Malaysia) following his eight-year term in Thailand.

Acknowledgement

I would like to thank the Board of Directors for their wise counsel and guidance during the year. The Board and I would like to record our deep appreciation to Mr Chan Kok Seong, who stepped down as Director and CEO of UOB (Malaysia) on 1 September 2012 to take up his new role as Head, Group Risk Management, in our Singapore Head Office.

On behalf of the Board of Directors, I would like to express our appreciation to the management and staff for their dedication and contributions, and to all our customers for their continued support.

Wee Cho Yaw
Chairman

Board of Directors and its Committees

BOARD OF DIRECTORS

Wee Cho Yaw (Chairman)
Non-Independent Non-Executive Director

Wee Ee Cheong
Non-Independent Non-Executive Director

Francis Lee Chin Yong
Non-Independent Non-Executive Director

Abdul Latif Bin Yahaya
Independent Non-Executive Director

Datuk Abu Huraira Bin Abu Yazid
Independent Non-Executive Director

Chan Kok Seong
Non-Independent Executive Director
(Resigned 1 September 2012)

Wong Kim Choong
Non-Independent Executive Director
(Appointed 1 October 2012)

Ong Yew Huat
Independent Non-Executive Director
(Appointed 2 January 2013)

AUDIT COMMITTEE

Abdul Latif Bin Yahaya (Chairman)

Datuk Abu Huraira Bin Abu Yazid

Francis Lee Chin Yong

RISK MANAGEMENT COMMITTEE

Datuk Abu Huraira Bin Abu Yazid (Chairman)

Abdul Latif Bin Yahaya

Francis Lee Chin Yong

REMUNERATION COMMITTEE

Datuk Abu Huraira Bin Abu Yazid (Chairman)

Wee Cho Yaw

Wee Ee Cheong

Francis Lee Chin Yong

NOMINATING COMMITTEE

Abdul Latif Bin Yahaya (Chairman)

Wee Cho Yaw

Wee Ee Cheong

Francis Lee Chin Yong

Datuk Abu Huraira Bin Abu Yazid

Wee Cho Yaw
Chairman
A banker with more than 50 years' experience, Dr Wee is the Chairman of UOB (Malaysia). He was appointed to the Board on 23 March 1994 and last re-appointed as Director on 13 April 2011. He is a member of the Remuneration and Nominating Committees.

Dr Wee is the Chairman of UOB and its subsidiaries Far Eastern Bank, United Overseas Insurance, United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia and Supervisor of United Overseas Bank (China). He is the Chairman of United International Securities, Haw Par Corporation, UOL Group, Pan Pacific Hotels Group, United Industrial Corporation and Singapore Land and its subsidiary, Marina Centre Holdings. He is also the Chairman of the Wee Foundation.

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

Wee Ee Cheong
Mr Wee was appointed to the Board on 23 March 1994 and last re-elected as Director on 19 December 2011. He is a member of the Remuneration and Nominating Committees.

A career banker, Mr Wee joined UOB in 1979 and has extensive experience handling various functions across UOB. He served as Deputy Chairman and President of UOB from 2000 to April 2007 before being appointed as CEO on 27 April 2007. He is a member of the UOB Executive and Board Risk Management Committees.

He also holds directorships in several UOB subsidiaries and affiliates including Far Eastern Bank, United Overseas Insurance, United Overseas Bank (Thai) Public Company and United International Securities. He is the Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

Mr Wee is actively engaged in regional business development through his participation in key industry bodies. He serves as a council member of The Association of Banks in Singapore and as a director of The Institute of Banking & Finance and chairs the Financial Industry Competency Standards (FICS) Steering Committee. He is a member of the Board of Governors of Singapore-China Foundation, Visa APCEMEA Senior Client Council and Advisory Board of INSEAD East Asia Council and International Council.

He is a director of the Wee Foundation, as well as the patron of the Nanyang Academy of Fine Arts. Mr Wee is an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He had previously served as Deputy Chairman of the Housing & Development Board and as a director of the Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

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

Ong Yew Huat
Mr Ong Yew Huat was appointed to the Board on 2 January 2013 as an Independent Non-Executive Director. He is also a Director of UOB Singapore, Singapore Power Ltd and the Chairman of Singapore Tyler Print Institute and National Heritage Board of Singapore. He had previously served on the board of The National Art Gallery, Singapore and was awarded the Public Service Medal in 2011 for his contribution to the arts in Singapore. He also serves on the boards of the Accounting and Corporate Regulatory Authority of Singapore as well as the Public Accountants Oversight Board. He retired in December 2012 as the Executive Chairman of Ernst & Young Singapore after serving 33 years with the firm.

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

Board of Directors’ Profiles

Francis Lee Chin Yong

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

Wong Kim Choong

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

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

Abdul Latif Bin Yahaya

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

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

Datuk Abu Huraira Bin Abu Yazid

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

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

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

SENIOR MANAGEMENT

Wong Kim Choong
Chief Executive Officer

Kevin Lam Sai Yoke
Managing Director
Country Head, Personal Financial Services

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

Phoebe Yap
Managing Director
Country Head, Debt Capital Markets/Corporate Finance, Investment Banking

Steven Ng Ling Tee
Managing Director
Country Head, Specialised Financing

Albert Quah Chei Jin
Executive Director
Country Head, Finance and Corporate Services
Chief Financial Officer

Alex Por Peng Seong
Executive Director
Country Head, Risk Management

Andre Lee Ean Chye
Executive Director
Country Head, Transaction Banking

Beh Wee Khee
Executive Director
Country Head, Commercial Banking II

Chan Shu Peng
Executive Director
Head, Retail
Technology and Operations

Chun Choy Wan
Executive Director
Head, Wholesale/Treasury
Technology and Operations

David Tan Kok Soon
Executive Director
Country Head, Credit – Corporates and Financial Institutions

Goh Cheng Ean
Executive Director
Head, High Networth Banking

Kan Wing Yin
Executive Director
Country Head, Commercial Banking I

Khoo Chock Seang
Executive Director
Head, Sales and Distribution
Personal Financial Services

Lee Voon Seng
Executive Director
Country Head, Human Resources

Lim Jit Yang
Executive Director
Country Head, Corporate Banking II

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

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

Lum Chee Onn
Executive Director
Country Head, Technology and Operations

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

Ong Yee Ben
Executive Director
Country Head, Internal Audit

Raymond Chui Keng Leng
Executive Director
Country Head, Business Banking

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

Wee Hock Kiong
Executive Director
Country Head, Credit – Retail

Yap Kok Tee
Executive Director
Country Head, Channels

Corporate Information

SECRETARY
Ong Kit Ping

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

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

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

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

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

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

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

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

Jalan Sultan Ismail Branch
Unit 1-6, Ground Floor
President House
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2142 8828
Fax: 03-2141 1212
Manager: Donald Hew Chun Kie

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

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

Federal Territory / Selangor
Central Area II
2108, Jalan Meru
41050 Klang
Tel: 03-3342 0712 / 03-3342 0713
Fax: 03-3342 1135
Area Manager: Kelly Wong Siew Ling

Federal Territory
Kepong Branch
82, Ground Floor
Jalan 3/62D, Medan Putra Business Centre
Sri Menjalara, Off Jalan Damansara
52200 Kuala Lumpur
Tel: 03-6286 6888
Fax: 03-6275 3668
Manager: Ryo Gim Tong Wei

Selangor
Ijok Branch
57, Jalan PPAJ 3/1
Pusat Perdagangan Alam Jaya
42300 Bandar Puncak Alam
Tel: 03-6038 8292
Fax: 03-6038 8289
Manager: Vincent Tan Yee Wee

Klang Branch
2108, Jalan Meru
41050 Klang
Tel: 03-3342 0711
Fax: 03-3342 1135
Manager: Violet Koh Geok Lan

Kota Damansara Branch
48, Jalan PJU 5/8
Dataran Sunway
Kota Damansara
47810 Petaling Jaya
Tel: 03-6140 9881
Fax: 03-6140 9771
Manager: Oh Seng Hu

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

Branch Network

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

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

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

Cheras Branch
35, Jalan Desa Cahaya 11
Taman Desa Bukit Cahaya
56100 Cheras
Tel: 03-9106 2788
Fax: 03-9105 3281
Manager: James Tan Chee Hock

Damansara Uptown Branch
Ground Floor, 1, Jalan SS21/58
Uptown 1, Damansara Uptown
47400 Petaling Jaya
Tel: 03-7726 2299
Fax: 03-7727 5566
Manager: Christopher Ching Chia How

Jalan Othman Branch
39-45, Jalan Othman
46000 Petaling Jaya
Tel: 03-7788 3333
Fax: 03-7783 8131
Manager: Wong Yin Pheng

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

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

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

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

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

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

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

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

Perak / Pulau Pinang / Kedah

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

Perak

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

Pulau Pinang

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

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

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

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

Kedah

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

Sungai Petani Branch
177 & 178, Jalan Kelab Cinta Sayang
Taman Ria Jaya
08000 Sungai Petani
Tel: 04-442 8828
Fax: 04-442 9828
Manager: Kenny Kang Chin Chiat

Melaka / Johor

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

Melaka

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

Malim Branch
1, Jalan PPM 8, Plaza Pandan
Malim Business Park
Jalan Balai Panjang
75250 Melaka
Tel: 06-336 4336
Fax: 06-336 4337
Manager: Sim Meow Hui

Johor

Muar Branch
10, Jalan Pesta 1/1
Kg. Kenangan Tun Dr. Ismail (1)
Jalan Bakri
84000 Muar
Tel: 06-955 5881
Tel: 06-953 1181
Manager: Maria Tan Swee Tin

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

Branch Network

City Square Branch
Lot 1-23, Johor Bahru City Square
106-108, Jalan Wong Ah Fook
8000 Johor Bahru
Tel: 07-219 6300 / 07-224 1344 / 07-224 1388
Fax: 07-224 3706
Manager: Ricky Teo Choh Meng

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

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

Taman Ponderosa Branch
Bangunan UOB
Ground Floor, 8, Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Tel: 07-360 6800
Fax: 07-355 3761
Manager: Tee Boon Siang

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

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

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

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

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

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

Kuching Branch
1-3, Main Bazaar
93000 Kuching
Tel: 082-421 291
Fax: 082-428 546
Manager: Jean Si Poi Ne

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

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

BOARD OF DIRECTORS

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

Dr Wee Cho Yaw (Chairman)
Non-Independent Non-Executive

Mr Wee Ee Cheong
Non-Independent Non-Executive

Mr Francis Lee Chin Yong
Non-Independent Non-Executive

Encik Abdul Latif Bin Yahaya
Independent Non-Executive

Datuk Abu Huraira Bin Abu Yazid
Independent Non-Executive

Mr Ong Yew Huat
Independent Non-Executive

Mr Wong Kim Choong
Non-Independent Executive

Mr Wong Kim Choong, the Non-Independent Executive Director and CEO of UOB (Malaysia), is responsible for the day-to-day management of the Bank. As the independent non-executive directors are independent from the management of the Bank, they bring a degree of objectivity to the Board's deliberations and play a valuable role in monitoring management decisions. All directors participate actively in Board deliberations. Where a potential conflict with the duties of a director or of interests arises from a matter, the director concerned must declare the facts and nature of his interest to the Board and abstain from the deliberation on the matter.

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

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

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

The Board meets at least six times a year. Directors' attendance at Board and Board Committee meetings in 2012 is set out in the table below.

	Number of meetings attended in 2012				
	Board of Directors	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Dr Wee Cho Yaw	5	N/A	N/A	1	3
Mr Wee Ee Cheong	6	N/A	N/A	1	3
Mr Francis Lee Chin Yong	6	5	4	1	3
Encik Abdul Latif Bin Yahaya	6	5 ^	4	N/A	3 ^
Datuk Abu Huraira Bin Abu Yazid	6	5	4 ^	1 ^	3
Mr Chan Kok Seong #	4	N/A	N/A	N/A	N/A
Mr Wong Kim Choong *	1	N/A	N/A	N/A	N/A
Number of meetings held in 2012	6	5	4	1	3

Mr Chan Kok Seong resigned as Director and CEO on 1 September 2012.
* *Mr Wong Kim Choong was appointed as Director and CEO on 1 October 2012.*
^ *Chairman of Committee.*

Corporate Governance

BOARD COMMITTEES

The Board has delegated specific functions to four Board Committees, namely the Audit Committee, Risk Management Committee, Remuneration Committee and Nominating Committee. Each committee has written terms of reference which set out its roles and responsibilities. The terms of reference are approved by the Board. The members of the four Board Committees are set out on page 6. Where appropriate, the CEO and other senior executives are in attendance at Board Committee meetings to answer any query from committee members.

AUDIT COMMITTEE

The Audit Committee (AC) comprises two Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The role of the AC includes assisting the Board to review financial reports, internal control systems and internal and external audit functions.

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. At least once a year, the AC will have a separate session with the external and internal auditors in the absence of Management.

The AC discusses internal control issues and contributes to the Board's review of the effectiveness and adequacy of the Bank's internal control system. In addition, the AC reviews the adequacy of the scope, functions and resources of the internal audit function in performing its duties independently.

The AC convened five meetings during the year under review. Additional meetings may be called by the AC Chairman to discuss specific issues whenever necessary. After each AC meeting, the AC Chairman will report to the Board on significant issues and concerns discussed during the AC meeting and, where appropriate, make the necessary recommendation to the Board.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee (RMC) comprises two Independent Non-Executive Directors and a Non-Independent Non-Executive Director. It assists the Board in overseeing the establishment and operation of a robust risk management system, policies, processes and procedures to identify, monitor, control and report risks. The RMC also oversees Senior Management's activities in managing credit, market, liquidity, operational, legal and other risks. During the year, the RMC had four meetings.

REMUNERATION COMMITTEE

The Remuneration Committee (RC) comprises an Independent Non-Executive Director and three Non-Independent Non-Executive Directors. The RC reviews the remuneration policy of the Bank and determines the remuneration for Directors, the CEO and key senior executives that is reasonable and aligned with UOB (Malaysia)'s strategic objectives and corporate values. During the year, the RC held one meeting.

NOMINATING COMMITTEE

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

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 of Responsibility by Directors in respect of preparation of the annual audited financial statements of the Bank is set out on page 32.

INTERNAL AUDIT

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

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

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

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

SCOPE OF APPLICATION

In accordance with the accounting standards for financial reporting, all subsidiaries of UOB (Malaysia) are fully consolidated from the date the Bank obtains control until the date such control ceases. The Bank's investment in associates is accounted for using the equity method from the date the Bank obtains significant influence over the associates until the date such significant influence ceases.

However, for the purpose of computing capital adequacy requirements at the Bank level, investments in a subsidiary that carries out insurance business as an insurer are excluded from the consolidated financial statements of the Bank. In compliance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework on capital adequacy, such investments are deducted from eligible Tier 1 and Upper Tier 2 Capital.

The transfer of funds or regulatory capital within the Group is subject to minority shareholders' and regulatory approval.

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

CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

Our capital management is overseen by the senior management and Board of Directors (the Board), and seeks to ensure that UOB (Malaysia) and its principal subsidiaries maintain adequate capital to:

i. support the underlying risks of their businesses;
ii. comply with all applicable regulatory requirements; and
iii. meet other factors such as rating agency considerations.

Capital management involves a continuous capital assessment process which encompasses the following key elements:

i. assessment of capital and business risks across business segments, products and geographies, and the integration of such assessment with the budgeting process;
ii. setting and tracking of internal capital targets to ensure that UOB (Malaysia) and its principal subsidiaries are able to maintain adequate capital to support their business growth;
iii. assessment of short-term and long-term capital needs, including stress testing and scenario reviews, for the purposes of capital management and planning; and
iv. assessment of the quality of capital and financing structures.

UOB (Malaysia) has a framework to ensure that there is a process to assess it has sufficient capital to support its activities. This is the Internal Capital Adequacy Assessment Process (ICAAP) framework. The ICAAP process is reviewed periodically to ensure that the Bank will remain well capitalised after considering all material risks. Stress testing is also conducted to determine capital adequacy in stressed conditions.

UOB (Malaysia) has established a Risk Appetite framework. The Risk Appetite is the amount of risk the Bank is able and willing to take/tolerate in pursuit of its business objectives. The objective of setting risk appetite is not to limit risk taking but to ensure that the Bank's risk profile is aligned to its business strategy. The Risk Appetite is approved by the Board, and allocated to the various business units by senior management and senior management committees.

REGULATORY CHANGES

The Basel Committee on Banking Supervision (BCBS) has since December 2009 released a series of proposals and consultation papers (Basel III) aimed to strengthen the global capital and liquidity standards, with the objective of promoting a more resilient banking sector. Over the last two years, there is greater clarity on Basel III standards and various timelines for implementation, though some proposals are yet to be finalised. The BCBS has left it to the respective jurisdictions to implement these changes.

On 28 November 2012, Bank Negara Malaysia has issued Capital Adequacy Framework (Capital Component) on the implementation of Basel III Capital Standards for Malaysia-incorporated banks. Bank Negara Malaysia requires Malaysia-incorporated banks to meet the Basel III minimum capital adequacy requirements from 1 January 2013, two years ahead of the BCBS' proposed 2015 timeline. We believe UOB (Malaysia) is well capitalised, and is in a strong capital position to meet Bank Negara Malaysia's revised requirements.

RISK MANAGEMENT

The assumption of financial and non-financial risks is an integral part of UOB (Malaysia)'s business. Our risk management strategy is targeted at ensuring on-going effective risk discovery and achieving effective capital management. Risks are managed within levels established by the management committees, and approved by the Board and its committees.

The Bank applies the following risk management principles:

i. promotion of sustainable long-term growth through embracing sound risk management principles and business practices;
ii. continual improvement of risk discovery capabilities and establishment of appropriate value-creating risk controls; and
iii. support business development within a prudent, consistent and efficient risk management framework.

The Bank has a comprehensive framework of policies and procedures for the identification, measurement, monitoring and control of risks. This framework is governed by the appropriate Board and senior management committees.

CREDIT RISK

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

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

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

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

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

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

Country Risk
Country Risk is managed within an established framework that includes setting of limits for each country based on the country's risk rating as well as the Bank's business strategy. Country exposures will be regularly analysed and significant trends will be reported to Credit Management Committee (CMC) and Executive Committee (EXCO).

Credit stress test
Credit stress testing is an integral part of the Bank's credit portfolio management process. This allows the Bank to assess the potential credit losses arising from the impact of unlikely but plausible adverse events. Remedial actions such as exposure reduction, portfolio rebalancing, hedging and reviewing of credit acceptance guidelines are taken if necessary.

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

For internal risk management, master agreements such as International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) have been established with active counterparties to manage the counterparty credit risk arising from foreign exchange and derivative activities. The agreements allow the Bank to close out all outstanding transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

As at 31 Dec 2012, in the event of a two-notch downgrading of UOB (Malaysia)'s credit rating, UOB (Malaysia) would not be required to post additional collateral with its counterparties.

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

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

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

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

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

A restructured account is categorised as non-performing and placed on the appropriate classified grade depending on the Bank's assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. A restructured account must comply fully with the restructured terms before it can be declassified.

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

Bank Special Asset Management

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

Write-off policy

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

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;
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[a] RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	7,528	43,735	31,691

[a]Amount under Standardised Approach refers to credit exposures where IRB Approach is not applicable, or portfolios that will eventually adopt IRB Approach.

CREDIT RISK MITIGATION

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

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

In extending credit facilities to small-and-medium enterprises (SMEs), personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors. For IRB purpose, the Bank does not recognise personal guarantees as an eligible credit risk protection. Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit.

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

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

i. Legal certainty: The documentation must be legally binding and enforceable (on an on-going basis) in all relevant jurisdictions.

ii. Material positive correlation: The value of the collateral must not be significantly affected by the deterioration of the borrower's credit worthiness.

iii. Third-party custodian: The collateral that is held by a third-party custodian must be segregated from the custodian's own assets.

The Bank currently uses supervisory prescribed haircuts for eligible financial collateral.

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

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

		2011 RM'million
	Exposures Covered by guarantees / Credit Derivatives	Exposures Covered by Financial / Other Eligible Collateral
Total	537	2,540

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

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

The following table shows the breakdown of net exposures after credit mitigation and provisions by risk weights under Standardised Approach:

Risk weights	Net exposures RM'million
0% to 50%	956
51% to 100%	6,170
101% and above	56
Deducted	-
Total	**7,182**

Supervisory Risk Weight under IRB Approach

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

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

IRB rating system

IRB rating system refers to the methods, processes, controls, data collection and information technology systems that support the assessment of credit risk, the assignment of exposures to rating grades or pools, as well as the parameterisation process for the various classes of exposure.

Rating system governance

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

Internal rating system

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

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

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

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

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

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

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

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

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

Corporate asset class

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exposures Secured by Residential Properties
Exposures Secured by Residential Properties sub-class includes any credit facilities (for example, housing loan, term loan and overdraft) secured against a mortgage of a residential property or properties which meet the following criteria stipulated by Bank Negara Malaysia:
i. the borrower is an individual person/s;
ii. the residential properties are or will be occupied by the borrower, or is rented;
iii. the loan is secured by first and subsequent legal charges, deeds of assignment or strata titles on the property; and
iv. the property has been completed and a certificate of fitness has been issued by the relevant authority.

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

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

Qualifying Revolving Retail Exposures (QRRE) asset sub-class
QRRE asset sub-class includes credit card exposures and unsecured credit lines that meet the following criteria stipulated by Bank Negara Malaysia:
i. the exposures are revolving, unsecured, and uncommitted (both contractually and in practice);
ii. the exposures are to individuals;
iii. the maximum exposure to a single individual in the sub-portfolio is RM500,000 or less;
iv. given the asset correlation assumptions for the QRRE risk weight function are markedly below those for the other retail risk weight function at low PD values, the banking institution must demonstrate that exposures identified as QRRE correspond to portfolios with low volatility of loss rates, relative to the average volatility of loss rates of portfolios within the low PD bands;

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

Other Retail asset sub-class
Other Retail asset sub-class includes commercial properties, share financing and any other retail exposures not classified as Residential Mortgage or QRRE. These exposures fulfil the following criteria stipulated by Bank Negara Malaysia:
i. exposures to individuals
ii. loans extended to small businesses and managed as retail exposures, provided that the total exposure of the banking group to the small business borrower (on a consolidated basis, where applicable) is less than RM5 million. Small business loans extended through or guaranteed by an individual are subject to the same exposure threshold. Small businesses may include sole proprietorships, partnerships or small-and-medium-sized enterprises (SMEs); and
iii. the specific exposure must be part of a large group of exposures, which are managed by the banking institution on a pooled basis.

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

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

Large Corporate, SME and Specialised Lending (IPRE) Exposures

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

Sovereign Exposures

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

Bank Exposures

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

Retail (Residential Mortgage) Exposures

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

Retail (QRRE) Exposures

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

Actual loss by asset class
Actual loss consists of impairment loss allowance and write-off to the Bank's income statement for the financial year ended 31 December 2012.

Comparison of actual loss and expected loss by asset class

	Actual Loss (as at 31 December 2012) RM'million	Expected loss (as at 31 December 2011) RM'million	Actual Loss (as at 31 December 2011) RM'million
Total	**113**	**343**	**7**

The actual loss in 2011 is lower than in 2012 due to exceptional recovery in 2011.

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

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

- EL as at 31 December 2012 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years.
- 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.

Use of internal estimates

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

MARKET RISK

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

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

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

Standardised Approach

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

Internal Model Approach

The Bank adopts a daily Value-at-Risk (VaR) to estimate market risk within a 99 per cent confidence interval using the historical simulation method. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements.

As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit and loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtest exceptions are tabled at ALCO with recommended actions and resolutions.

The new Basel market risk measures, Stressed VaR and Incremental Risk Charge (IRC), have also been implemented as part of the controls and incorporated in the market risk appetite limits in 2012. The Stressed VaR estimates the 10-day holding period 99 per cent confidence level potential loss, using stressed market prices observed during the subprime crisis. The IRC measures the migration and default risks of the corporate bonds warehoused in the trading book at the 99.9 per cent confidence level over a one-year period.

To complement the VaR measure, stress and scenario tests are performed to identify the Bank's vulnerability to event risk. These tests serve to provide early warnings of plausible extreme losses to facilitate proactive management of market risks. The Bank daily VaR on 31 December 2012 was RM1.76 million.

	Year end RM'million	High RM'million	Low RM'million	Average RM'million
2012				
Total Diversified VAR	1.76	6.18	0.72	2.14
2011				
Total Diversified VAR	1.51	3.93	0.57	1.36

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

Interest Rate Risk In Banking Book

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

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

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

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

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

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

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

The reported figures are based on the upward and downward parallel movement of the yield curve. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers.

Liquidity Risk

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

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

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

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

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

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

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

The table in Note 37(iii) to the financial statements on page 86 presents the maturity mismatch analysis of the Bank's near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Bank's activities. Behavioral adjustments were made on significant balance sheet items that had actual maturity dates that differed substantially from the Bank's contractual profile.

Operational Risk

Operational risk is managed through a framework of policies, processes and procedures by which units identify, assess, monitor and control/mitigate their operational risks.

Operational Risk Self-Assessment involves identifying and assessing, inherent risks, as well as assessing the effectiveness of controls to mitigate the identified risks. Action plans to address issues are documented and monitored via Operational Risk Action Plans.

Key Operational Risk Indicators are statistical data collected and monitored by business, support units and branches on an on-going basis to facilitate early detection of potential operational control weaknesses. Trend analysis is carried out to identify systemic issues that need to be addressed.

A database of operational risk events and losses has been established to facilitate the analysis of loss trends and root causes of loss events. The analysis would help to strengthen the internal control environment. The database can also be used to compute economic capital in the future.

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

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

With the increasing need to outsource for cost and operational efficiency, the Bank's Outsourcing Policy ensures that outsourcing risks are adequately identified and managed prior to entering into any new arrangement and on an on-going basis.

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

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

A framework to detect and manage fraud risk is in place. It includes a policy on fraud, a whistle-blowing programme, a material risk notification protocol and an online fraud programme that is mandatory for all new employees of the Bank.

A framework to manage bribery risk is in place. The Bank's Code of Conduct sets out anti-bribery and corruption provisions. All staff are required to observe the Code of Conduct and comply with the guidelines. Disciplinary action will be taken against any employee who fail to do so. Such disciplinary action may include suspension or termination of employment. An anti-corruption digest is sent to all Bank staff regularly to keep them updated of latest developments and to foster an anti-bribery culture.

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

An operational risk management training and awareness programme is in place to facilitate on-going promotion of an effective risk management culture.

The Bank currently adopts Basic Indicator Approach for Operational Risk Reporting.

Equities (Disclosures for Banking Book position)

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

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

		Bank 2012		**Bank 2011**
Type of Equities	**Exposures RM'million**	**RWA RM'million**	**Exposures RM'million**	**RWA RM'million**
Publicly Traded Equity Exposures ** mainly acquired via loan restructuring activities*	**3**	**9**	**2**	**7**
All Other Equity Exposures ** include investment in Associated Companies*	**146**	**584**	**143**	**571**
	149	**592**	**145**	**578**

Cumulative realised gains/(losses) arising from sales and liquidation.

	Bank 2012 RM'million	Bank 2011 RM'million
- Loss from sale of held-for-trading securities and derivatives	(36)	(63)
- Gain from sale of available-for-sale securities	17	28
	(19)	(35)

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2012.

Principal activities

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

Results

	Group RM'000	Bank RM'000
Profit before taxation	1,222,816	1,182,714
Income tax expense	(295,783)	(296,774)
Profit for the year	927,033	885,940

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

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

Dividends

The amount of dividends paid by the Bank since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011 as reported in the directors' report for that year, a final dividend of 75 per cent less 25 per cent taxation, on 470 million ordinary shares was paid on 12 April 2012.	264,375

At the forthcoming Annual General Meeting, a final single-tier dividend of 68.3 per cent in respect of the financial year ended 31 December 2012, on 470 million ordinary shares of RM1 each, amounting to a dividend payable of RM320,775,000 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 shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2013.

Directors

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

Wee Cho Yaw
Wee Ee Cheong
Francis Lee Chin Yong
Abdul Latif Bin Yahaya
Datuk Abu Huraira Bin Abu Yazid
Wong Kim Choong (appointed on 1 October 2012)
Ong Yew Huat (appointed on 2 January 2013)
Chan Kok Seong (resigned on 1 September 2012)

Directors' benefits

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

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

Restricted Shares and Share Appreciation Rights Plan (the Plans)

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

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

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

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

Subject to the achievement of pre-determined return on equity (ROE) targets of the UOB Group, 25 per cent of the RS and SAR of the 2008 grant and 50 per cent of the 2009 and subsequent grants, will vest after two years and the remainder after three years from the dates of grant.

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

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

Directors' interests

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

			Number of ordinary shares of S$1 each			
		1.1.2012/date of appointment	Acquired	Disposed	Forfeited	31.12.2012
Ultimate holding company:						
United Overseas Bank Limited						
Wee Cho Yaw	- Direct	17,382,921	1,437,106	-	-	18,820,027
	- Indirect	263,862,980	-	1,467,106	-	262,395,874
Wee Ee Cheong	- Direct	3,047,878	-	-	-	3,047,878
	- Indirect	156,432,870	-	-	-	156,432,870
Francis Lee Chin Yong	- Indirect	38,851	43,521	82,372	-	-
Wong Kim Choong	- Direct	9,000	-	-	-	9,000
	- Indirect	22,191	11,094	1,134	-	32,151

			Number of preference shares of S$100 each			
		1.1.2012	Acquired	Disposed	Forfeited	31.12.2012
Ultimate holding company:						
United Overseas Bank Limited						
Wee Cho Yaw	- Indirect	167,700	-	-	-	167,700
Wee Ee Cheong	- Direct	20,000	-	-	-	20,000
	- Indirect	167,700	-	-	-	167,700

			Number of options over ordinary shares of S$1 each under UOB restricted share plan			
		1.1.2012/date of appointment	Granted	Vested	Forfeited	31.12.2012
Ultimate holding company:						
United Overseas Bank Limited						
Francis Lee Chin Yong	- Direct	66,975	22,700	24,000	-	65,675
Wong Kim Choong	- Direct	33,975	9,750	9,960	2,490	31,275

		1.1.2012/date appointment	Number of options over ordinary shares of S$1 each under UOB share appreciation rights plan Granted	Vested	Forfeited	31.12.2012
Ultimate holding company:						
United Overseas Bank Limited						
Francis Lee Chin Yong	- Direct	196,500	92,150	40,000	10,000	238,650
Wong Kim Choong	- Direct	99,125	39,500	20,680	5,170	112,775

		1.1.2012/date of appointment	Number of options over ordinary shares of S$1 each under UOB vested share appreciation rights plan Vested	Exercised/ Lapsed	Forfeited	31.12.2012
Ultimate holding company:						
United Overseas Bank Limited						
Francis Lee Chin Yong	- Direct	150,750	40,000	79,087	-	111,663
Wong Kim Choong	- Direct	80,447	20,680	3,920	-	97,207

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

None of the other directors in office at the end of the financial year had any interests in shares in the Bank or its related corporations during the financial year.

Holding companies

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

Business strategy for the financial year ended 31 December 2012

During the year, the Bank continued the growth momentum and delivered another set of solid financials results despite the intense competition and challenging external environment.

The Bank has remained true to its philosophy of balancing growth with stability. As part of this, the Bank continued to grow its customer deposits and fee-based income, while remaining disciplined and selective as it increased its loans portfolio.

The Bank continued to strengthen its financial position and this year, it made significant inroads in building its corporate deposit base. The Bank's retail deposits continued to grow considerably. The Bank continued to be one of the leading foreign bank in customer deposits.

To remain relevant to the increasing number of affluent Malaysians, the Bank reviewed its wealth management capabilities and enhanced its specialist wealth advisory services and portfolio management for UOB Privilege Banking customers. The Bank also created a new Wealth Banking segment targeting mass affluent customers. At a product level, the Bank launched the UOB Infinite credit card with privileges designed for premium lifestyle needs.

Strategic alliance with Prudential gained traction in the consumer segment as the Bank emerged as one of the leading bancassurance partners for Prudential in its first year of collaboration. A new Bancassurance team has been set-up to work closely with Prudential to seize untapped opportunities within the small-and-medium-sized enterprises (SME) sector. In 2012, the Bank continued to maintain its position as one of the leading unit trust distributors in Malaysia.

On the SME front, the Bank tapped on its strong and established relationships with our customers to grow this business organically. The Bank provided contract financing to its SME customers who were involved in the government-led Economic Transformation Programme (ETP) projects and Public-Private Partnership initiatives.

The Bank's integrated regional network provides it with a competitive edge. As customers seek regional opportunities created by rising intra-regional trade, the Bank is well placed to leverage on this position to support cross-border transactions and banking needs of these customers. The Bank has have won mandates involving privatisations, bond issues, Public Private Partnership initiatives and cross currency funding through its Regional Corporate Banking franchise and have improved its cross-selling activities.

The Bank has also made significant inroads in the debt capital market arena. This included the issuance of a RM220 million bond for a customer, which made the Bank the first bank to issue such a bond in the Malaysian Capital Markets for a Private Financing Initiative project. The Bank was ranked 10th on the Bond League Table this year, up from 12th in the previous year.

In its continuous effort to enhance its customer service, the Bank implemented the End-To-End (E2E) initiative to re-engineer its consumer housing loan processing and approval infrastructure. With this initiative, the Bank saw significant improvement in the standard turnaround time for housing loan applications and embedded better risk control.

The Bank continues to focus on technology refreshing, capacity building, and streamlining and harmonising key processes to support its regionalisation strategy.

The Bank's people remain its greatest asset and the Bank continued to invest in skills and career development. The Bank also rolled out the UOB SEED (Strategise, Engage, Execute, Develop) competency framework to equip its people and build a distinct leadership platform to serve its growing franchise.

In July 2012, the local rating of the Bank was upgraded to AAA from AA1 previously by RAM Rating Services Berhad.

Outlook for the financial year ending 31 December 2013

Malaysia's economic outlook is expected to remain stable in 2013, despite the overhang of the slow growth in the US, continuing sovereign debt crisis in the Eurozone and slowing growth of China. Malaysia's still-resilient domestic demand is expected to continue to be the anchor of the country's growth. Gross domestic product is projected to be about five per cent in 2013, supported by the continued expansion in private consumption and private and public investment activities. Interest rates are expected to remain accommodative.

Entering 2013, the Bank will continue to focus on its strengths to ensure continued relevance in the face of intensifying competition. The Bank will remain committed to enhancing its services to customers, intensifying cross-selling initiatives and improving productivity.

Barring any unforeseen circumstances, the Bank believes that it is well positioned to continue to deliver satisfactory earnings in the coming year.

Rating by external rating agencies

Rating Agency Malaysia (RAM) had upgraded the Bank's long term Financial Institution Rating (FIR) from AA1 to AAA, while its short term rating had been reaffirmed at P1. Concurrently, RAM had also upgraded the issue rating of the Bank's RM500 million Subordinated Bonds (2010/2020) from AA2 to AA1.

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

Other statutory information

(a) Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Bank were made out, the directors took reasonable steps:
   i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
   ii. to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:
   i. the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
   ii. the values attributed to current assets in the financial statements of the Group and of 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 of 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 of 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 of 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 of 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 of 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 12 months after the end of the financial year which will or may affect the ability of the Group and of 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 of the Bank for the financial year in which this report is made.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2013.

Wee Cho Yaw **Wong Kim Choong**

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965
We, Wee Cho Yaw and Wong Kim Choong, being two of the directors of United Overseas Bank (Malaysia) Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 101 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2013.

Wee Cho Yaw **Wong Kim Choong**

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965
I, Wong Kim Choong, being the director primarily responsible for the financial management of United Overseas Bank (Malaysia) Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 101 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Wong Kim Choong
at Kuala Lumpur in the Federal Territory
on 17 April 2013.

Wong Kim Choong

Before me,

Commissioner for Oaths

Independent Auditors' Report to the Member of United Overseas Bank (Malaysia) Bhd (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of United Overseas Bank (Malaysia) Bhd (the Bank), which comprise the statements of financial position as at 31 December 2012 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 101.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

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

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

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

Other matters

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

Ernst & Young	Yap Seng Chong
AF: 0039	2190/12/13(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
17 April 2013

Statements of Financial Position

As at 31 December 2012

	Note	Group 31-Dec-12 RM'000	Group 31-Dec-11 RM'000	Group 1-Jan-11 RM'000	Bank 31-Dec-12 RM'000	Bank 31-Dec-11 RM'000	Bank 1-Jan-11 RM'000
Assets							
Cash and short-term funds	3	**7,247,301**	13,863,225	9,270,889	**7,247,301**	13,863,225	9,270,889
Securities purchased under resale agreements	4	**-**	-	149,973	**-**	-	149,973
Deposits and placements with financial institutions	5	**60,990**	11,686	10,889	**60,990**	11,686	10,889
Financial assets at fair value through profit or loss	6	**3,239,208**	2,474,507	2,275,075	**3,239,208**	2,474,507	2,275,075
Available-for-sale (AFS) securities	7	**11,580,541**	2,825,137	3,517,612	**11,580,541**	2,825,137	3,517,612
Loans and advances	8	**54,997,275**	46,980,894	34,583,171	**55,193,389**	47,164,745	34,763,386
Derivative financial assets	22	**154,077**	256,860	244,248	**154,077**	256,860	244,248
Other assets	9	**545,955**	474,396	212,152	**550,278**	478,413	216,460
Statutory deposits with Bank Negara Malaysia	10	**1,758,800**	1,363,000	22,800	**1,758,800**	1,363,000	22,800
Investment in subsidiaries	11	**-**	-	-	**50**	50	50
Investment in associates	12	**244,366**	206,343	189,234	**122,733**	122,733	122,733
Property, plant and equipment	13	**375,283**	300,539	274,970	**144,017**	119,013	106,272
Deferred tax assets	14	**232,474**	290,595	148,576	**239,925**	290,655	148,602
Total assets		**80,436,270**	69,047,182	50,899,589	**80,291,309**	68,970,024	50,848,989
Liabilities and equity							
Deposits from customers	15	**65,587,850**	52,643,082	38,964,836	**65,607,074**	52,655,065	38,979,301
Deposits and placements of banks and other financial institutions	16	**4,354,662**	6,528,773	3,903,054	**4,355,088**	6,529,200	3,903,480
Bills and acceptances payable		**2,706,726**	2,843,787	2,279,218	**2,706,726**	2,843,787	2,279,218
Amount due to Cagamas	17	**-**	-	33,344	**-**	-	33,344
Derivative financial liabilities	22	**183,980**	347,948	337,928	**183,980**	347,948	337,928
Other liabilities	18	**1,461,475**	1,148,878	528,234	**1,460,204**	1,147,084	527,363
Tax payable		**73,469**	171,092	112,169	**73,460**	171,068	112,169
Subordinated bonds	19	**499,258**	498,902	498,628	**499,258**	498,902	498,628
Total liabilities		**74,867,420**	64,182,462	46,657,411	**74,885,790**	64,193,054	46,671,431
Equity attributable to equity holder of the Bank							
Share capital	20	**470,000**	470,000	470,000	**470,000**	470,000	470,000
Reserves	21	**5,098,850**	4,394,720	3,772,178	**4,935,519**	4,306,970	3,707,558
Total equity		**5,568,850**	4,864,720	4,242,178	**5,405,519**	4,776,970	4,177,558
Total liabilities and equity		**80,436,270**	69,047,182	50,899,589	**80,291,309**	68,970,024	50,848,989
Commitments and contingencies	34	**42,933,869**	47,361,699	47,791,176	**42,933,869**	47,361,699	47,791,176

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

	Note	Group 31-Dec-12 RM'000	Group 31-Dec-11 RM'000	Bank 31-Dec-12 RM'000	Bank 31-Dec-11 RM'000
Operating revenue		**3,935,236**	3,085,832	**3,945,991**	3,099,267
Interest income	24	**3,276,086**	2,546,692	**3,283,165**	2,553,321
Interest expense	25	**(1,818,690)**	(1,230,546)	**(1,818,716)**	(1,230,571)
Net interest income		**1,457,396**	1,316,146	**1,464,449**	1,322,750
Other operating income	26	**677,425**	558,123	**681,277**	562,095
Operating income		**2,134,821**	1,874,269	**2,145,726**	1,884,845
Other operating expenses	27	**(729,011)**	(695,286)	**(739,077)**	(704,441)
Operating profit before allowance for impairment on loans and advances, impairment loss on available-for-sales (AFS) securities and provision for commitments and contingencies		**1,405,810**	1,178,983	**1,406,649**	1,180,404
Allowance for impairment on loans and advances	29	**(220,029)**	(98,636)	**(220,029)**	(98,637)
Impairment loss on AFS securities		**(8,991)**	-	**(8,991)**	-
Net write back of provision for commitments and contingencies	18 (i)	**5,085**	320	**5,085**	320
		1,181,875	1,080,667	**1,182,714**	1,082,087
Share of net profit of associates		**40,941**	22,609	**-**	-
Profit before taxation		**1,222,816**	1,103,276	**1,182,714**	1,082,087
Income tax expense	30	**(295,783)**	(271,076)	**(296,777)**	(272,808)
Profit for the year attributable to equity holders of the Bank		**927,033**	832,200	**885,940**	809,279
Basic earnings per share (sen)	31	**197.2**	177.1		
Dividends per share (sen)	32	**68.3**	56.3		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2012

	Group		Bank	
	31-Dec-12	**31-Dec-11**	**31-Dec-12**	**31-Dec-11**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	**927,033**	832,200	**885,940**	809,279
Other comprehensive income:				
Net gain/(loss) on revaluation of available-for-sale (AFS) securities	**9,312**	(7,222)	**9,312**	(7,222)
Revaluation surplus of land and building	**41,959**	-	**-**	-
Income tax relating to components of other comprehensive income:				
- revaluation reserves	**(7,471)**	-	**-**	-
- AFS securities	**(2,328)**	1,805	**(2,328)**	1,805
Total comprehensive income for the year attributable to equity holders of the Bank	**968,505**	826,783	**892,924**	803,862

		<-------------------- Non-distributable --------------------->					Distributable	
Group	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserves RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
2012								
Balance as at 1 January 2012								
As reported under FRS		**470,000**	**322,555**	**470,000**	**73,006**	**308**	**3,326,263**	**4,662,132**
Effects of transition to MFRS		**-**	**-**	**-**	**-**	**-**	**202,588**	**202,588**
As reported under MFRS		**470,000**	**322,555**	**470,000**	**73,006**	**308**	**3,528,851**	**4,864,720**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**927,033**	**927,033**
Other comprehensive income		**-**	**-**	**-**	**34,488**	**6,984**	**-**	**41,472**
Total comprehensive income		**-**	**-**	**-**	**34,488**	**6,984**	**927,003**	**968,505**
Transactions with owners:								
Dividends paid:								
- final dividend for the year ended 31 December 2011	32	**-**	**-**	**-**	**-**	**-**	**(264,375)**	**(264,375)**
Balance as at 31 December 2012		**470,000**	**322,555**	**470,000**	**107,494**	**7,292**	**4,191,509**	**5,568,850**

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

Group	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserves RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
2011								
Balance as at 1 January 2011								
As reported under FRS		470,000	322,555	470,000	72,797	5,725	2,754,586	4,095,663
Effects of transition to MFRS		-	-	-	-	-	146,515	146,515
As reported under MFRS		470,000	322,555	470,000	72,797	5,725	2,901,101	4,242,178
Profit for the year		-	-	-	-	-	832,200	832,200
Other comprehensive income		-	-	-	-	(5,417)	-	(5,417)
Total comprehensive income		-	-	-	-	(5,417)	832,200	826,783
Reversal of revaluation deficit upon disposal of land and building		-	-	-	209	-	-	209
Transactions with owners:								
Dividends paid:								
- final dividend for the year ended 31 December 2010	32	-	-	-	-	-	(204,450)	(204,450)
Balance as at 31 December 2011		470,000	322,555	470,000	73,006	308	3,528,851	4,864,720

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

Statement of Changes in Equity

For the financial year ended 31 December 2012

Bank	Note	<------------------- Share capital RM'000	Share premium RM'000	Non-distributable Statutory reserve RM'000	Revaluation reserves RM'000	Net unrealised reserve on AFS securities RM'000 --------------------->	Distributable Retained profits RM'000	Total RM'000
2012								
Balance as at 1 January 2012								
As reported under FRS		**470,000**	**322,555**	**470,000**	**-**	**308**	**3,311,519**	**4,574,382**
Effects of transition to MFRS		**-**	**-**	**-**	**-**	**-**	**202,588**	**202,588**
As reported under MFRS		**470,000**	**322,555**	**470,000**	**-**	**308**	**3,514,107**	**4,776,970**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**885,940**	**885,940**
Other comprehensive income		**-**	**-**	**-**	**-**	**6,984**	**-**	**6,984**
Total comprehensive income		**-**	**-**	**-**	**-**	**6,984**	**885,940**	**892,924**
Transactions with owners:								
Dividends paid:								
- final dividend for the year ended 31 December 2011	32	**-**	**-**	**-**	**-**	**-**	**(264,375)**	**(264,375)**
Balance as at 31 December 2012		**470,000**	**322,555**	**470,000**	**-**	**7,292**	**4,135,672**	**5,405,519**

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

Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserves RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
2011								
Balance as at 1 January 2011								
As reported under FRS		470,000	322,555	470,000	-	5,725	2,762,763	4,031,043
Effects of transition to MFRS		-	-	-	-	-	146,515	146,515
As reported under MFRS		470,000	322,555	470,000	-	5,725	2,909,278	4,177,558
Profit for the year		-	-	-	-	-	809,279	809,279
Other comprehensive income		-	-	-	-	(5,417)	-	(5,417)
Total comprehensive income		-	-	-	-	(5,417)	809,279	803,862
Transactions with owners:								
Dividends paid:								
- final dividend for the year ended 31 December 2010	32	-	-	-	-	-	(204,450)	(204,450)
Balance as at 31 December 2011		470,000	322,555	470,000	-	308	3,514,107	4,776,970

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

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
Cash flows from operating activities				
Profit before taxation	**1,222,816**	1,103,276	**1,182,714**	1,082,087
Adjustments for:				
Share of net profits of associates	**(40,941)**	(22,609)	**-**	-
(Gain)/loss on disposal of property, plant and equipment	**(529)**	153	**(529)**	483
Provision/(write back) of impairment loss on property, plant and equipment	**217**	(2,487)	**-**	-
Depreciation of property, plant and equipment	**32,035**	32,405	**26,731**	27,223
Allowance for impairment on loans and advances	**220,029**	98,636	**220,029**	98,637
Allowance for impairment on available-for-sale securities	**8,991**	-	**8,991**	-
Net unrealised (gain)/loss on financial assets at fair value through profit and loss	**(28,619)**	881	**(28,619)**	881
Net write back of provision for commitments and contingencies	**(5,085)**	(320)	**(5,085)**	(320)
Dividend income	**(1,130)**	(594)	**(5,021)**	(7,927)
Interest income from available-for-sale securities	**(311,582)**	(128,419)	**(311,582)**	(128,419)
Gain from sale/recovery of available-for-sale securities	**(17,263)**	(27,602)	**(17,263)**	(27,602)
Unrealised foreign exchange (gain)/loss	**(2,879)**	42,474	**(2,879)**	42,474
Loss from sale of financial assets at fair value through profit and loss/trading derivatives	**35,809**	63,079	**35,809**	63,079
Gain from sale of precious metals	**(3,220)**	(5,222)	**(3,220)**	(5,222)
Amortisation of premium less accretion of discount from:				
- financial assets at fair value through profit and loss	**738**	572	**738**	572
- available-for-sale securities	**5,789**	6,998	**5,789**	6,998
Operating profit before working capital changes	**1,115,176**	1,161,221	**1,106,603**	1,152,944
(Increase)/decrease in operating assets:				
Loans and advances	**(8,236,409)**	(12,496,359)	**(8,248,672)**	(12,499,994)
Financial assets at fair value through profit and loss	**(772,629)**	(258,170)	**(772,629)**	(258,170)
Securities purchased under resale agreements	**-**	149,973	**-**	149,973
Statutory deposits with Bank Negara Malaysia	**(395,800)**	(1,340,200)	**(395,800)**	(1,340,200)
Derivative financial assets	**102,783**	(12,612)	**102,783**	(12,612)
Other assets	**(68,336)**	(262,242)	**(68,641)**	(261,952)
	(9,370,391)	(14,219,610)	**(9,382,959)**	(14,222,955)
Increase/(decrease) in operating liabilities:				
Deposits from customers	**12,944,768**	13,678,248	**12,952,009**	13,675,765
Deposits and placements of banks and other financial institutions	**(2,174,111)**	2,625,719	**(2,174,112)**	2,625,720
Bills and acceptances payable	**(137,061)**	564,569	**(137,061)**	564,569
Amount due to Cagamas	**-**	(33,344)	**-**	(33,344)
Derivative financial liabilities	**(163,968)**	10,020	**(163,968)**	10,020
Other liabilities	**320,916**	578,763	**321,440**	577,838
	10,790,544	17,423,975	**10,798,308**	17,420,568

Statements of Cash Flows

For the financial year ended 31 December 2012

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
Cash generated from operations	**2,535,329**	4,365,586	**2,521,952**	4,350,557
Taxation paid	**(345,396)**	(352,357)	**(345,321)**	(352,311)
Net cash generated from operating activities	**2,189,933**	4,013,229	**2,176,631**	3,998,246
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**543**	1,723	**543**	417
Purchase of property, plant and equipment	**(65,052)**	(57,154)	**(51,750)**	(40,865)
Interest income from available-for-sale securities	**311,582**	128,419	**311,582**	128,419
Net (purchase)/sale of available-for-sale securities	**(8,743,611)**	705,285	**(8,743,611)**	705,285
Dividend received	**4,360**	6,081	**4,360**	6,081
Net cash (used in)/generated from investing activities	**(8,492,178)**	784,354	**(8,478,876)**	799,337
Cash flows from financing activities				
Dividends paid	**(264,375)**	(204,450)	**(264,375)**	(204,450)
Net cash used in financing activity	**(264,375)**	(204,450)	**(264,375)**	(204,450)
Net (decrease)/increase in cash and cash equivalents	**(6,566,620)**	4,593,133	**(6,566,620)**	4,593,133
Cash and cash equivalents at beginning of year	**13,874,911**	9,281,778	**13,874,911**	9,281,778
Cash and cash equivalents at end of year	**7,308,291**	13,874,911	**7,308,291**	13,874,911
Analysis of cash and cash equivalents				
Cash and short-term funds	**7,247,301**	13,863,225	**7,247,301**	13,863,225
Deposits and placements with financial institutions	**60,990**	11,686	**60,990**	11,686
	7,308,291	13,874,911	**7,308,291**	13,874,911

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

1. Corporate information

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 April 2013.

2. Significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS)

The financial statements of the Group and the Bank have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and MFRS and Issues Committee (IC) Interpretations in Malaysia. These financial statements also comply with International Accounting Standards (IAS) and IFRS issued by the International Accounting Standards Board. These financial statements are the Group's and the Bank's first MFRS financial statements and MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) have been applied. For the periods up to and including the year ended 31 December 2011, the Group and the Bank prepared its financial statements in accordance with Financial Reporting Standards (FRS) in Malaysia.

The financial statements of the Group and the Bank for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Bank's registered office as stated in Note 1.

In preparing its opening MFRS statement of financial position as at 1 January 2011 (which is the date of transition), the Group and the Bank has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. The impact of transition from FRS to MFRS on the statements of financial position, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank is disclosed below:

(i) Reconciliation of statements of financial position

	Under FRS RM'000	Effect of transition to MFRS RM'000	Under MFRS RM'000
Group			
As at 31 December 2011			
Assets			
Loans and advances	46,710,776	270,118	46,980,894
Liabilities			
Tax payable	103,562	67,530	171,092
Equity			
Reserves	4,192,132	202,588	4,394,720

2. Significant accounting policies (continued)
2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

(i) Reconciliation of statements of financial position

	Under FRS RM'000	Effect of transition to MFRS RM'000	Under MFRS RM'000
Bank			
As at 31 December 2011			
Assets			
Loans and advances	46,894,627	270,118	47,164,745
Liabilities			
Tax payable	103,538	67,530	171,068
Equity			
Reserves	4,104,382	202,588	4,306,970
Group			
As at 1 January 2011			
Assets			
Loans and advances	34,387,818	195,353	34,583,171
Liabilities			
Tax payable	63,331	48,838	112,169
Equity			
Reserves	3,625,663	146,515	3,772,178
Bank			
As at 1 January 2011			
Assets			
Loans and advances	34,568,033	195,353	34,763,386
Liabilities			
Tax payable	63,331	48,838	112,169
Equity			
Reserves	3,561,043	146,515	3,707,558

2. Significant accounting policies (continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

(ii) Reconciliation of income statements and statements of comprehensive income

Income statements	Under FRS RM'000	Effect of transition to MFRS RM'000	Under MFRS RM'000
Group			
Financial year ended 31 December 2011			
Operating revenue	3,085,832		3,085,832
Interest income	2,546,692		2,546,692
Interest expense	(1,230,546)		(1,230,546)
Net interest income	1,316,146		1,316,146
Other operating income	558,123		558,123
Operating income	1,874,269		1,874,269
Other operating expenses	(695,286)		(695,286)
Operating profit before allowance for impairment on loans and advances and provision for commitments contingencies	1,178,983		1,178,983
(Allowance for)/reversal of impairment on loans and advances	(173,401)	74,765	(98,636)
Net write back of provision for commitments and contingencies	320		320
	1,005,902		1,080,667
Share of net profit of associates	22,609		22,609
Profit before taxation	1,028,511		1,103,276
Income tax expense	(252,384)	(18,692)	(271,076)
Profit for the year	776,127		832,200
Bank			
Financial year ended 31 December 2011			
Operating revenue	3,099,267		3,099,267
Interest income	2,553,321		2,553,321
Interest expense	(1,230,571)		(1,230,571)
Net interest income	1,322,750		1,322,750
Other operating income	562,095		562,095
Operating income	1,884,845		1,884,845
Other operating expenses	(704,441)		(704,441)
Operating profit before allowance for impairment on loans and advances and provision for commitments contingencies	1,180,404		1,180,404
(Allowance for)/reversal of impairment on loans and advances	(173,402)	74,765	(98,637)

2. Significant accounting policies (continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

(ii) Reconciliation of income statements and statements of comprehensive income (continued)

Income statements	**Under FRS RM'000**	**Effect of transition to MFRS RM'000**	**Under MFRS RM'000**
Net write back of provision for commitments and contingencies	320		320
Profit before taxation	1,007,322		1,082,087
Income tax expense	(254,116)	(18,692)	(272,808)
Profit for the year	753,206		809,279

Statements of comprehensive income	**Under FRS RM'000**	**Effect of transition to MFRS RM'000**	**Under MFRS RM'000**
Group			
Financial year ended 31 December 2011			
Profit for the year	776,127	56,073	832,200
Other comprehensive income:			
Net loss on revaluation of available-for-sale securities	(7,222)		(7,222)
Income tax relating to components of other comprehensive income	1,805		1,805
Total comprehensive income for the year	770,710		826,783
Bank			
Financial year ended 31 December 2011			
Profit for the year	753,206	56,073	809,279
Other comprehensive income:			
Net loss on revaluation of available-for-sale securities	(7,222)		(7,222)
Income tax relating to components of other comprehensive income	1,805		1,805
Total comprehensive income for the year	747,789		803,862

(iii) There are no material differences between the statements of cash flows presented under the MFRS and the statements of cash flows presented under FRS.

2. Significant accounting policies (continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

(iv) Capital management and capital adequacy

The adjustments to the financial statements of the Group and the Bank as a result of the transition to MFRS also had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	As at 31 December 2011		As at 1 January 2011	
	Under FRS	Under MFRS	Under FRS	Under MFRS
Group				
Tier 1 capital (RM'000)	4,298,223	4,500,811	3,868,565	4,015,080
Capital base (RM'000)	5,062,190	5,061,359	4,576,003	4,574,008
Tier 1 capital ratio (%)	12.87	13.48	14.77	15.05
Risk-weight capital ratio (%)	15.16	15.16	17.47	17.14
Bank				
Tier 1 capital (RM'000)	4,283,419	4,486,007	3,876,716	4,023,231
Capital base (RM'000)	5,043,482	5,046,505	4,580,499	4,582,108
Tier 1 capital ratio (%)	12.88	13.49	14.92	15.19
Risk-weight capital ratio (%)	15.16	15.17	17.63	17.30

Under FRS139, the Group and Bank had maintained their collective assessment allowance at 1.5 per cent of total outstanding loans, net of individual assessment allowance, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing (GP3). Upon the transition to MFRS on 1 January 2011, these transitional provisions under the previous GP3 were removed.

Under MFRS, collective assessment is performed on loans which are not individually significant based on the incurred loss approach. Loans which are individually assessed and where there is no objective evidence of impairment are also included in the group of loans for collective assessment. These loans are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated based on the historical loss experience for such assets, analysed by way of probability of default and loss given default percentages. Collective assessment allowance is made on any shortfall in these discounted recoverable amount against the carrying value of the group of loans.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective assessment allowance charged in the income statements and a writeback of collective assessment allowance to the opening retained profits and opening collective assessment allowance in the statements of financial position. A summary of the financial impact of the change in accounting policy on the financial statements of the Group and the Bank are as follows:

Statements of Financial Position	Group and Bank 31-Dec-11 RM'000	Group and Bank 1-Jan-11 RM'000
Loans and advances (Note 8)		
Collective Impairment		
Under FRS	721,569	555,269
Effects of transition to MFRS	(270,118)	(195,353)
Under MFRS	451,451	359,916

2. Significant accounting policies (continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (continued)

(iv) Capital management and capital adequacy (continued)

	Group		Bank	
	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Retained Profits				
Under FRS	3,326,263	2,754,586	3,311,519	2,762,763
Effects of transition to MFRS	202,588	146,515	202,588	146,515
Under MFRS	3,528,851	2,901,101	3,514,107	2,909,278

Income Statements	Group and Bank Year ended 31-Dec-11 RM'000
Allowance for/(reversal of) impaired loans and advances (Note 29)	
Collective Impairment	
Under FRS	166,300
Effects of transition to MFRS	(74,765)
Under MFRS	91,535

2.3 Standards issued but not yet effective

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

Effective for financial periods beginning on or after 1 January 2013

MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits (revised)
MFRS 127 Consolidated and Separate Financial Statements (revised)
MFRS 128 Investments in Associates and Joint Ventures (revised)
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11 Joint Arrangements: Transition Guidance
Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
IC Interpretation 2 Amendment to IC Interpretation 2 (Annual Improvements 2009-2011 Cycle)
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132 Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

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

2. Significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

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

(a) MFRS 9 Financial Instruments

MFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement (MFRS 139) and replaces the guidance in MFRS 139.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's and the Bank's financial assets but will not have an impact on the classification and measurement of financial liabilities. The Group and the Bank will quantify the effect in conjunction with the other phases when the final standard including all phases is issued.

(b) MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 includes all disclosures that were previously in MFRS 127 related to consolidated financial statements as well as all of the disclosures that were previously included in MFRS 11 Joint Arrangements and MFRS 128 Investments in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required but have no impact on the Group's and the Bank's financial position or performance.

(c) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. The Group and the Bank is currently assessing the impact that this Standard will have on the financial position and performance of the Group and the Bank but based on preliminary analyses, no material impact is expected.

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

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

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

(ii) Basis of consolidation

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

Any excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(b) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group’s share of net assets of the associate.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(b) Associates (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. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

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

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

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses.

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

(c) Goodwill

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

(d) Recognition of interest income

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

(e) Recognition of fees and other income

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

Dividends from securities at fair value through profit and loss and available-for-sale securities are recognised on a declared basis.

(f) Repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at a future date. The commitment to resell the securities is reflected as an asset on the statements of financial position.

(g) Financial assets and financial liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At fair value through profit and loss

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(i) Classification (continued)

At fair value through profit and loss (continued)

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

Held-to-maturity

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

Loans and receivables

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

Available-for-sale

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

Non-trading liabilities

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

(ii) Measurement

Initial measurement

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

Subsequent measurement

Financial instruments classified as held for trading and/or designated as fair value through profit and loss are measured at fair value with fair value changes recognised in the profit and loss account.

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

All other financial instruments are measured at amortised cost using the effective interest method.

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

Fair value determination

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

(iii) Recognition and derecognition

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

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

(iv) Classification of impaired loans and advances

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

- where the principal or interest/profit or both is past due for more than 90 days or three months. In the case of revolving facilities (e.g. overdraft facilities), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or three months; or
- where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or three months or less, the loan or financing exhibits weaknesses that render a classification appropriate according to the banking institution's credit risk grading framework.

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

2. Significant accounting policies (continued)
2.4 Summary of significant accounting policies (continued)
(g) Financial assets and financial liabilities (continued)
(iv) Classification of impaired loans and advances (continued)

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

(v) Write-off policy

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

(vi) Impairment

Individual impairment

Financial assets, other than those measured at fair value through profit and loss account are subject to impairment review at each reporting date. Impairment loss is recognised when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

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

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

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

Financial assets are written off when all avenues of recovery have been exhausted.

Collective impairment

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

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

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

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

(h) Financial derivatives
Financial derivatives with positive and negative fair values are presented as assets and liabilities in the statements of financial position respectively. Derivatives embedded in other financial instruments are accounted for separately as derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not carried at fair value through profit and loss.

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(i) Property, plant and equipment, and depreciation (continued)

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

	%
Buildings	2
Office furniture, fittings and equipment	10 - 20
Computer equipment and software	12.5 - 20
Motor vehicles	20

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

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

(j) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost including transaction costs less any accumulated depreciation and impairment losses.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(k) Leases

(i) Finance leases

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

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(k) Leases (continued)

(ii) Operating leases

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

Payments made under operating leases are charged to the income statement on the straight line basis over the lease period.

(l) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

(m) Income tax

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

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

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

(n) 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 the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

(o) 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.

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(p) Bills and acceptances payable

Bills and acceptances payable represent the Group's own bills and acceptances rediscounted and outstanding in the market.

(q) Share capital and share issuance expenses

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

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

2.5 Significant accounting estimates and judgements

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

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

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

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

The securities held by the Group and the Bank which are not traded in an active market and which are determined using valuation techniques are as disclosed in Note 23(a).

(b) Deferred tax assets

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

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

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

(c) Allowances for losses on loans and advances

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

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

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

(d) Impairment of assets

Assessment of impairment of securities available-for-sale is made in line with the guidance in the revised MFRS to determine when the investment is other than temporarily impaired. Management judgement is required to evaluate the duration and extent by which the fair value of the financial instruments are below its carrying value and when there is indication of permanent impairment in the carrying value of the financial instruments.

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

3. Cash and short-term funds

	Group and Bank 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Cash and balances with banks and other financial institutions	**512,503**	386,271	720,318
Money at call and deposit placements maturing within one month	**6,734,798**	13,476,954	8,550,571
	7,247,301	13,863,225	9,270,889

4. Securities purchased under resale agreements (Reverse Repo)

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

	Group and Bank 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Asset received for Reverse Repo transaction	**-**	-	149,973

5. Deposits and placements with financial institutions

	Group and Bank 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Licensed banks	**990**	511	-
Other financial institutions	**60,000**	11,175	10,889
	60,990	11,686	10,889

6. Financial assets at fair value through profit or loss

	Group and Bank 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Held-for-trading securities			
At fair value:			
Malaysian Government treasury bills	**56,369**	120,013	42,791
Malaysian Government Securities	**462,026**	286,580	52,715
Bank Negara Malaysia Bills	**2,277,004**	1,507,196	1,601,588
Bankers' acceptances and Islamic accepted bills	**76,188**	37,844	147,655
Cagamas bonds	**-**	-	10,246
Total held-for-trading securities	**2,871,587**	1,951,633	1,854,995
Designated as fair value through profit or loss In Malaysia but denominated in United States Dollar			
Private debt securities	**367,621**	522,874	420,080
Total financial assets at fair value through profit or loss	**3,239,208**	2,474,507	2,275,075

7. Available-for-sale (AFS) securities

	Group and Bank 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
At fair value:			
Money market instruments:			
Malaysian Government treasury bills	**118,806**	-	132,809
Malaysian Government Securities	**2,452,165**	274,438	540,803
Bank Negara Malaysia Bills	**8,184,944**	1,939,484	1,392,716
Cagamas bonds	**457,474**	418,087	1,186,681
	11,213,389	2,632,009	3,253,009

7. Available-for-sale (AFS) securities (continued)

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Private debt securities of companies incorporated In Malaysia:			
Corporate bonds	**349,756**	170,556	244,706
Impairment loss on AFS securities	**(8,991)**	-	-
	340,765	170,556	244,706
Quoted securities:			
Shares of corporations outside Malaysia	**10,895**	7,842	5,191
Shares of corporations in Malaysia	**2,944**	2,182	2,158
	13,839	10,024	7,349
At cost:			
Unquoted securities:			
Shares	**12,272**	12,272	12,272
Private debt securities	**276**	276	276
	12,548	12,548	12,548
Total available-for-sale securities	**11,580,541**	2,825,137	3,517,612

8. Loans and advances

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Overdrafts #	**2,857,897**	2,676,449	2,561,532	**2,858,059**	2,676,449	2,561,930
Term loans and revolving credits						
Housing loans	**20,351,883**	17,240,962	13,125,569	**20,351,883**	17,240,962	13,125,569
Syndicated term loans	**495,269**	848,493	596,834	**495,269**	848,493	596,834
Other term loans*	**23,828,990**	18,693,916	12,217,627	**24,024,942**	18,877,767	12,397,444
Credit cards receivable	**1,869,576**	1,656,020	1,322,621	**1,869,576**	1,656,020	1,322,621
Bills receivable	**132,067**	196,464	179,505	**132,067**	196,464	179,505
Trust receipts	**1,205,287**	1,421,533	852,649	**1,205,287**	1,421,533	852,649
Claims on customers under acceptance credits	**5,108,232**	4,927,815	4,331,757	**5,108,232**	4,927,815	4,331,757
Staff loans - Others	**61,985**	73,036	79,287	**61,985**	73,036	79,287
Others	**3,421**	9,717	6,849	**3,421**	9,717	6,849
	55,914,607	47,744,405	35,274,230	**56,110,721**	47,928,256	35,454,445
Unearned interest	**(45,890)**	(62,745)	(52,580)	**(45,890)**	(62,745)	(52,580)
Gross loans and advances	**55,868,717**	47,681,660	35,221,650	**56,064,831**	47,865,511	35,401,865
Allowance for losses on loans and advances						
- Individual impairment	**(317,731)**	(249,315)	(278,563)	**(317,731)**	(249,315)	(278,563)
- Collective impairment	**(553,711)**	(451,451)	(359,916)	**(553,711)**	(451,451)	(359,916)
Net loans and advances	**54,997,275**	46,980,894	34,583,171	**55,193,389**	47,164,745	34,763,386

 # As at 31 December 2012, included in overdraft is an amount due from a subsidiary, UOB Properties (KL) Bhd of RM162,200 (31 December 2011: RM nil and 1 January 2011: RM398,000).

** As at 31 December 2012, other term loans include a loan to subsidiaries, UOB Properties Bhd and UOB Properties (KL) Bhd of RM175,831,000 (31 December 2011: RM175,796,000 and 1 January 2011: RM175,792,000) and RM20,122,000 (31 December 2011: RM8,055,000 and 1 January 2011: RM4,025,000), respectively.*

** As at 31 December 2012, other term loans include a loan to a related company, UOB Center of Excellence (M) Sdn Bhd of RM12,800,000 (31 December 2011: RM nil and 1 January 2011: RM nil).*

8. Loans and advances (continued)

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
(i) By maturity structure:						
Maturing within one year	**15,079,884**	13,751,193	11,705,461	**15,080,046**	13,751,193	11,705,859
One year to three years	**1,721,352**	1,263,462	1,502,550	**1,917,304**	1,263,462	1,502,550
Three years to five years	**3,251,262**	2,886,776	1,368,609	**3,251,262**	2,886,776	1,368,609
Over five years	**35,816,219**	29,780,229	20,645,030	**35,816,219**	29,964,080	20,824,847
	55,868,717	47,681,660	35,221,650	**56,064,831**	47,865,511	35,401,865
(ii) By type of customer:						
Domestic non-bank financial institutions						
- Stockbroking companies	**34**	8	-	**34**	8	-
- Others	**119,017**	256,531	116,628	**119,017**	256,531	116,628
Domestic business enterprises						
- Small medium enterprises	**12,506,684**	11,527,835	8,387,058	**12,506,684**	11,527,835	8,387,058
- Others	**12,304,248**	10,150,067	7,937,850	**12,500,362**	10,333,918	8,118,065
Individuals	**26,584,384**	21,813,502	16,007,497	**26,584,384**	21,813,502	16,007,497
Other domestic entities	**72**	116	144	**72**	116	144
Foreign entities	**4,354,278**	3,933,601	2,772,473	**4,354,278**	3,933,601	2,772,473
	55,868,717	47,681,660	35,221,650	**56,064,831**	47,865,511	35,401,865
(iii) By interest/profit rate sensitivity:						
Fixed rate						
Housing loans/financing	**47,046**	58,053	64,904	**47,046**	58,053	64,904
Other fixed rate loans/financing	**3,072,442**	2,950,070	2,091,146	**3,072,442**	2,950,070	2,091,146
Variable rate						
BLR plus	**50,108,650**	42,883,908	31,670,282	**50,108,811**	42,883,908	31,670,680
Cost-plus	**1,919,914**	1,122,256	1,060,671	**2,115,866**	1,306,107	1,240,488
Other variable rates	**720,665**	667,373	334,647	**720,666**	667,373	334,647
	55,868,717	47,681,660	35,221,650	**56,064,831**	47,865,511	35,401,865
(iv) By sector:						
Agriculture, hunting, forestry and fishing	**1,101,105**	540,462	266,054	**1,101,105**	540,462	266,054
Mining and quarrying	**131,908**	82,556	71,633	**131,908**	82,556	71,633
Manufacturing	**6,280,758**	6,200,739	5,013,507	**6,280,758**	6,200,739	5,013,507
Electricity, gas and water	**27,921**	43,854	49,116	**27,921**	43,854	49,116
Construction	**4,609,804**	3,519,461	1,936,901	**4,609,804**	3,519,461	1,936,901
Wholesale and retail trade and restaurants and hotels	**7,442,566**	6,621,331	5,069,577	**7,442,566**	6,621,331	5,069,577
Transport, storage and communication	**583,656**	518,524	354,489	**583,656**	518,524	354,489
Finance, insurance and business services	**2,245,269**	2,253,738	2,056,005	**2,245,269**	2,253,738	2,056,005
Real estate	**2,700,043**	2,305,881	1,560,215	**2,896,157**	2,489,732	1,740,430
Community, social and personal services	**176,234**	212,430	94,877	**176,234**	212,430	94,877
Households of which:						
- purchase of residential properties	**21,270,423**	18,053,741	13,765,796	**21,270,423**	18,053,741	13,765,796
- purchase of non-residential properties	**4,821,014**	3,379,329	1,855,713	**4,821,014**	3,379,329	1,855,713
- others	**4,386,417**	3,914,131	3,123,617	**4,386,417**	3,914,131	3,123,617
Others	**91,599**	35,483	4,150	**91,599**	35,483	4,150
	55,868,717	47,681,660	35,221,650	**56,064,831**	47,865,511	35,401,865

8. Loans and advances (continued)

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
(v) Movements in impaired loans and advances are as follows:				
At beginning of the year	**833,396**	869,568	**833,396**	869,568
Classified as impaired during the year	**707,381**	518,035	**707,381**	518,035
Amount recovered	**(265,107)**	(289,956)	**(265,107)**	(289,956)
Reclassified as non-impaired	**(181,544)**	(157,787)	**(181,544)**	(157,787)
Amount written off	**(99,955)**	(106,464)	**(99,955)**	(106,464)
At end of the year	**994,171**	833,396	**994,171**	833,396
Individual impairment	**(317,731)**	(249,315)	**(317,731)**	(249,315)
Net impaired loans and advances	**676,440**	584,081	**676,440**	584,081
Ratio of net impaired loans and advances to net loans and advances	**1.2%**	1.2%	**1.2%**	1.2%

	Group and Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000
(vi) Movements in allowance for losses on loans and advances are as follows:		
Collective Impairment		
Balance as at 1 January		
Under FRS	**721,569**	555,269
Effects of transition to MFRS	**(270,118)**	(195,353)
Under MFRS	**451,451**	359,916
Allowance made during the year	**102,260**	91,535
Balance as at 31 December	**553,711**	451,451
Individual Impairment		
Balance as at 1 January	**249,315**	278,563
Allowance made during the year	**307,627**	210,473
Amount written back in respect of recoveries	**(119,568)**	(116,985)
Amount written off	**(108,794)**	(116,149)
Interest recognised on impaired loans	**(3,658)**	(6,587)
Transfer to debt restructuring	**(7,191)**	-
Balance as at 31 December	**317,731**	249,315

8. Loans and advances (continued)

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
(vii) Impaired loans according to economic sectors are as follows:			
Agriculture, hunting, forestry and fishing	**216**	634	1,866
Manufacturing	**318,562**	257,876	308,353
Construction	**117,252**	106,778	42,198
Wholesale and retail trade and restaurants and hotels	**100,718**	122,472	127,356
Transport, storage and communication	**5,503**	5,071	2,916
Finance, insurance and business services	**19,987**	19,357	20,306
Real estate	**22,733**	10,528	14,310
Community, social and personal services	**1,068**	895	2,482
Households of which:			
- purchase of residential properties	**314,356**	239,435	276,543
- purchase of non-residential properties	**34,721**	14,952	14,587
- others	**59,055**	55,398	58,651
	994,171	833,396	869,568

9. Other assets

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Other receivables, deposits and prepayments (Note (b))	**128,488**	186,058	139,431	**132,517**	189,690	143,093
Accrued interest receivable	**72,970**	45,528	39,237	**72,970**	45,528	39,237
Amount due from subsidiaries	**-**	-	-	**294**	385	646
Precious metal accounts (Note (a))	**344,497**	242,810	33,484	**344,497**	242,810	33,484
	545,955	474,396	212,152	**550,278**	478,413	216,460

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

At 31 December 2012, the net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM67,240,000 (31 December 2011: RM73,789,000 and 1 January 2011: RM90,663,000) net of cash collateral received from the customers of RM50,594,000 (31 December 2011: RM59,257,000 and 1 January 2011: RM72,407,000). The amount due to ultimate holding company for precious metals borrowed is classified as other accruals and provisions in other liabilities (Note 18).

As at 31 December 2012, precious metals purchased from the ultimate holding company is RM327,851,000 (31 December 2011: RM228,278,000 and 1 January 2011: RM15,228,000).

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

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

10. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amounts of which are determined as a set percentage of total eligible liabilities.

11. Investment in subsidiaries

	Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Unquoted shares in Malaysia, at cost	**50**	50	50

The subsidiaries of the Bank, all of which are incorporated in Malaysia and held directly by the Bank, are as follows:

	Paid-up capital	Group's effective interest			Principal activities
		31-Dec-12	31-Dec-11	1-Jan-11	
	RM	%	%	%	
UOB Smart Solutions Sdn Bhd	10,000	**100**	100	100	Outsourcing services
UOB Properties (KL) Bhd	2	**100**	100	100	Property investment holding and property management company
UOBM Nominees (Tempatan) Sdn Bhd	10,000	**100**	100	100	Nominee services
UOBM Nominees (Asing) Sdn Bhd	10,000	**100**	100	100	Nominee services
United Overseas Nominees (Tempatan) Sdn Bhd	20	**100**	100	100	Nominee services
United Overseas Nominees (Asing) Sdn Bhd	10,000	**100**	100	100	Nominee services
UOB Properties Bhd	7	**100**	100	100	Property holding company
UOB Credit Bhd	2	**100**	100	100	Leasing company
UOB 2006 Nominees (Tempatan) Sdn Bhd	10,000	**100**	100	100	Dormant
UOB 2006 Nominees (Asing) Sdn Bhd	10,000	**100**	100	100	Dormant

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

All of the subsidiaries are audited by Ernst & Young.

12. Investment in associates

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Unquoted shares, at cost	**122,733**	122,733	122,733	**122,733**	122,733	122,733
Share of post-acquisition reserves	**121,633**	83,610	66,501	**-**	-	-
	244,366	206,343	189,234	**122,733**	122,733	122,733

12. Investment in associates (continued)

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

	Group's effective interest 31-Dec-12 %	31-Dec-11 %	1-Jan-11 %	Principal activities
OSK-UOB Investment Management Berhad	**30**	30	30	Management of unit trust funds
Uni.Asia Capital Sdn Bhd	**49**	49	49	Investment holding company

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

The summarised financial information of the associates are as follows:

	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Assets and liabilities			
Current assets	**1,505,434**	1,421,918	586,115
Non-current assets	**2,151,838**	1,989,677	2,007,339
Total assets	**3,657,272**	3,411,595	2,593,454
Current liabilities	**1,352,518**	1,330,297	682,546
Non-current liabilities	**1,527,278**	1,579,733	1,459,289
Total liabilities	**2,879,796**	2,910,030	2,141,835
Results			
Revenue	**933,952**	982,462	951,822
Profit before taxation	**117,594**	79,483	82,208
Profit for the year	**88,156**	50,921	65,580

At 31 December 2012, the amount of goodwill included within the Group's carrying amount of investment in associates is RM19,755,000 (31 December 2011: RM19,755,000 and 1 January 2011: RM19,755,000).

13. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2012								
Cost or valuation								
At 1 January 2012								
At cost	**-**	**-**	**-**	**148,540**	**252,824**	**6,733**	**29,837**	**437,934**
At valuation	**37,472**	**50,013**	**150,983**	**-**	**-**	**-**	**-**	**238,468**
	37,472	**50,013**	**150,983**	**148,540**	**252,824**	**6,733**	**29,837**	**676,402**
Additions	**-**	**-**	**758**	**21,394**	**23,585**	**1,482**	**20,001**	**67,220**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**(765)**	**(765)**
Revaluation surplus	**11,980**	**12,361**	**17,618**	**-**	**-**	**-**	**-**	**41,959**
Prov for diminution in value	**-**	**-**	**(217)**	**-**	**-**	**-**	**-**	**(217)**
Disposals	**-**	**-**	**-**	**(671)**	**(4,717)**	**(1,302)**	**-**	**(6,690)**
At 31 December 2012	**49,452**	**62,374**	**169,142**	**169,263**	**271,692**	**6,913**	**49,073**	**777,909**

13. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2012 (continued)								
Cost or valuation (continued)								
Representing:								
At cost	**-**	**-**	**-**	**169,263**	**271,692**	**6,913**	**49,073**	**496,941**
At valuation	**49,452**	**62,374**	**169,142**	**-**	**-**	**-**	**-**	**280,968**
At 31 December 2012	**49,452**	**62,374**	**169,142**	**169,263**	**271,692**	**6,913**	**49,073**	**777,909**
Accumulated depreciation and impairment								
At 1 January 2012	**-**	**10,340**	**58,826**	**105,016**	**198,142**	**3,539**	**-**	**375,863**
Depreciation charge	**-**	**677**	**4,559**	**8,908**	**16,913**	**978**	**-**	**32,035**
Disposals	**-**	**-**	**-**	**(666)**	**(3,304)**	**(1,302)**	**-**	**(5,272)**
At 31 December 2012	**-**	**11,017**	**63,385**	**113,258**	**211,751**	**3,215**	**-**	**402,626**
Net carrying amount								
At cost	**-**		**-**	**56,005**	**59,941**	**3,698**	**49,073**	**168,717**
At valuation	**49,452**	**51,357**	**105,757**	**-**	**-**	**-**	**-**	**206,566**
At 31 December 2012	**49,452**	**51,357**	**105,757**	**56,005**	**59,941**	**3,698**	**49,073**	**375,283**
At 31 December 2011								
Cost or valuation								
At 1 January 2011								
At cost	-	-	-	138,842	233,181	6,806	19,219	398,048
At valuation	31,253	50,013	149,968	-	-	-	-	231,234
	31,253	50,013	149,968	138,842	233,181	6,806	19,219	629,282
Additions	1,500	-	-	12,367	24,605	814	17,868	57,154
Transfer	5,330	-	1,920	-	-	-	(7,250)	-
Disposals	(611)	-	(905)	(2,669)	(4,962)	(887)	-	(10,034)
At 31 December 2011	37,472	50,013	150,983	148,540	252,824	6,733	29,837	676,402
Representing:								
At cost	-	-	-	148,540	252,824	6,733	29,837	437,934
At valuation	37,472	50,013	150,983	-	-	-	-	238,468
At 31 December 2011	37,472	50,013	150,983	148,540	252,824	6,733	29,837	676,402
Accumulated depreciation and impairment								
At 1 January 2011	823	9,744	56,732	97,869	185,868	3,276	-	354,312
Depreciation charge	-	660	4,444	9,087	17,064	1,150	-	32,405
Disposals	(161)	-	(589)	(1,940)	(4,790)	(887)	-	(8,367)
Impairment writeback	(662)	(64)	(1,761)	-	-	-	-	(2,487)
At 31 December 2011	-	10,340	58,826	105,016	198,142	3,539	-	375,863

13. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Net carrying amount								
At cost	-	-	-	43,524	54,682	3,194	29,837	131,237
At valuation	37,472	39,673	92,157	-	-	-	-	169,302
At 31 December 2011	37,472	39,673	92,157	43,524	54,682	3,194	29,837	300,539

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
At 31 December 2012								
Cost								
At 1 January 2012								
At cost	**-**	**-**	**-**	**147,535**	**253,067**	**6,733**	**17,996**	**425,331**
Additions	**-**	**-**	**-**	**21,394**	**23,581**	**1,482**	**6,696**	**53,153**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**(669)**	**(4,717)**	**(1,302)**	**-**	**(6,688)**
At 31 December 2012	**-**	**-**	**-**	**168,260**	**271,931**	**6,913**	**24,692**	**471,796**
Accumulated depreciation and impairment								
At 1 January 2012	**-**	**-**	**-**	**104,593**	**198,186**	**3,539**	**-**	**306,318**
Depreciation charge	**-**	**-**	**-**	**8,843**	**16,910**	**978**	**-**	**26,731**
Disposals	**-**	**-**	**-**	**(664)**	**(3,304)**	**(1,302)**	**-**	**(5,270)**
At 31 December 2012	**-**	**-**	**-**	**112,772**	**211,792**	**3,215**	**-**	**327,779**
Net carrying amount								
At 31 December 2012	**-**	**-**	**-**	**55,488**	**60,139**	**3,698**	**24,692**	**144,017**
At 31 December 2011								
Cost								
At 1 January 2011								
At cost	-	-	-	137,881	233,424	6,806	14,873	392,984
Additions	-	-	-	12,323	24,605	814	10,373	48,115
Transfer	-	-	-	-	-	-	(7,250)	(7,250)
Disposals	-	-	-	(2,669)	(4,962)	(887)	-	(8,518)
At 31 December 2011	-	-	-	147,535	253,067	6,733	17,996	425,331

13. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment								
At 1 January 2011	-	-	-	97,512	185,924	3,276	-	286,712
Depreciation charge	-	-	-	9,021	17,052	1,150	-	27,223
Disposals	-	-	-	(1,940)	(4,790)	(887)	-	(7,617)
At 31 December 2011	-	-	-	104,593	198,186	3,539	-	306,318
Net carrying amount								
At 31 December 2011	-	-	-	42,942	54,881	3,194	17,996	119,013

Land and buildings were revalued on 27 December 2012 by Knight Frank, Ooi & Zaharin Sdn Bhd, an independent qualified valuer using the comparative and investment method to reflect the fair values.

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

	Group		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**1-Jan-11 RM'000**
Freehold land	**18,700**	18,699	12,131
Freehold building	**11,617**	12,051	10,635
Long leasehold building	**27,905**	28,135	29,121
	58,222	58,885	51,887

14. Deferred tax assets

	Group		Bank	
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**31-Dec-12 RM'000**	**31-Dec-11 RM'000**
At 1 January	**290,595**	148,576	**290,655**	148,602
Recognised in the income statements (Note 30)	**(48,323)**	140,214	**(48,402)**	140,248
Recognised in other comprehensive income	**(9,798)**	1,805	**(2,328)**	1,805
At 31 December	**232,474**	290,595	**239,925**	290,655
An analysis of the Group's and the Bank's deferred tax position is as follows:				
- Deferred tax assets	**261,844**	308,146	**261,769**	308,146
- Deferred tax liabilities	**(29,370)**	(17,551)	**(21,844)**	(17,491)
	232,474	290,595	**239,925**	290,655

14. Deferred tax assets (continued)

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

Deferred tax assets	Group			Bank		
	Collective impairment for losses on loans and advances RM'000	Others RM'000	Total RM'000	Collective impairment for losses on loans and advances RM'000	Others RM'000	Total RM'000
At 1 January 2011	138,817	26,127	164,944	138,817	26,127	164,944
Charged to income statements	41,575	101,627	143,202	41,575	101,627	143,202
At 31 December 2011	180,392	127,754	308,146	180,392	127,754	308,146
Charged to income statements	(41,575)	(4,727)	(46,302)	(41,575)	(4,802)	(46,377)
At 31 December 2012	138,817	123,027	261,844	138,817	122,952	261,769

Deferred tax liabilities	Group			Bank		
	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Total RM'000	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Total RM'000
At 1 January 2011	14,460	1,908	16,368	14,434	1,908	16,342
Charged to income statements	2,988	-	2,988	2,954	-	2,954
Recognised in other comprehensive income	-	(1,805)	(1,805)	-	(1,805)	(1,805)
At 31 December 2011	17,448	103	17,551	17,388	103	17,491
Charged to income statements	2,021	-	2,021	2,025	-	2,025
Recognised in other comprehensive income	7,470	2,328	9,798	-	2,328	2,328
At 31 December 2012	26,939	2,431	29,370	19,413	2,431	21,844

Deferred tax assets have not been recognised in respect of the following items:

	Group		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Unutilised tax losses	**31,422**	40,656	57,767
Unabsorbed capital allowances	**11,069**	11,069	11,069
	42,491	51,725	68,836

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

15. Deposits from customers

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Demand deposits #	**10,306,906**	8,232,769	6,554,962	**10,325,066**	8,243,714	6,568,414
Savings deposits	**3,234,645**	2,739,425	2,714,454	**3,234,645**	2,739,425	2,714,454
Fixed deposits #	**35,047,213**	24,516,626	17,762,547	**35,048,277**	24,517,664	17,763,560
Negotiable instruments of deposits	**2,901,472**	1,937,141	229,620	**2,901,472**	1,937,141	229,620
Structured deposits/others	**14,097,614**	15,217,121	11,703,253	**14,097,614**	15,217,121	11,703,253
	65,587,850	52,643,082	38,964,836	**65,607,074**	52,655,065	38,979,301

 # At 31 December 2012, included in demand deposits and fixed deposits are amounts due to subsidiaries of RM18,160,000 (31 December 2011: RM10,945,000 and 1 January 2011: RM13,452,000) and another related company RM4,123,000 (31 December 2011: RM nil and 1 January 2011: RM nil) and RM1,064,000 (31 December 2011: RM1,038,000 and 1 January 2011: RM1,013,000), respectively.

15. Deposits from customers (continued)

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

	Group			Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**1-Jan-11 RM'000**	**31-Dec-12 RM'000**	**31-Dec-11 RM'000**	**1-Jan-11 RM'000**
Due within six months	**27,155,471**	19,708,555	14,809,586	**27,156,535**	19,709,593	14,810,599
Six months to one year	**10,672,533**	6,605,688	2,969,999	**10,672,533**	6,605,688	2,969,999
One year to three years	**116,233**	119,767	185,908	**116,233**	119,767	185,908
Three years to five years	**4,448**	19,757	26,674	**4,448**	19,757	26,674
	37,948,685	26,453,767	17,992,167	**37,949,749**	26,454,805	17,993,180

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

	Group			Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**1-Jan-11 RM'000**	**31-Dec-12 RM'000**	**31-Dec-11 RM'000**	**1-Jan-11 RM'000**
Business enterprises						
- Subsidiaries	**-**	-	-	**19,224**	11,983	14,465
- Others	**29,156,395**	24,110,906	18,565,252	**29,156,395**	24,110,906	18,565,252
Individuals	**29,066,701**	21,367,320	16,820,827	**29,066,701**	21,367,320	16,820,827
Others	**7,364,754**	7,164,856	3,578,757	**7,364,754**	7,164,856	3,578,757
	65,587,850	52,643,082	38,964,836	**65,607,074**	52,655,065	38,979,301

16. Deposits and placements of banks and other financial institutions

	Group			Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**1-Jan-11 RM'000**	**31-Dec-12 RM'000**	**31-Dec-11 RM'000**	**1-Jan-11 RM'000**
Licensed banks in Malaysia	**383,905**	99,655	1,280,144	**383,905**	99,655	1,280,144
Licensed investment banks in Malaysia	**-**	-	30,000	**-**	-	30,000
Bank Negara Malaysia	**1,674,061**	1,460,545	2,303,013	**1,674,061**	1,460,545	2,303,013
Other financial institutions outside Malaysia	**2,296,696**	4,968,573	289,897	**2,297,122**	4,969,000	290,323
	4,354,662	6,528,773	3,903,054	**4,355,088**	6,529,200	3,903,480

17. Amount due to Cagamas

	Group and Bank	
	31-Dec-12 RM'000	**31-Dec-11 RM'000**
At 1 January	**-**	33,344
Repayments	**-**	(33,344)
At 31 December	**-**	-

In the normal course of banking operations, the Bank sells loans to Cagamas Berhad. The Bank is liable in respect of the loans sold directly to Cagamas Berhad under the condition that the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined prudent criteria. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position.

18. Other liabilities

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Provision for commitments and contingencies (Note (i))	**165**	5,250	5,570	**165**	5,250	5,570
Accrued interest payable	**409,253**	244,809	158,216	**408,313**	243,909	157,315
Accruals and provisions for operational expenses	**134,297**	109,771	99,953	**133,998**	109,771	99,953
Other accruals and provisions (Note (ii))	**604,582**	445,563	264,495	**604,550**	444,669	264,525
Deferred income	**313,178**	343,485	-	**313,178**	343,485	-
	1,461,475	1,148,878	528,234	**1,460,204**	1,147,084	527,363

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
(i) Movements in provision for commitments and contingencies are as follows:				
At 1 January	**5,250**	5,570	**5,250**	5,570
Provision made during the year	**1,457**	478	**1,457**	478
Amount written back in respect of recoveries	**(6,542)**	(798)	**(6,542)**	(798)
At 31 December	**165**	5,250	**165**	5,250

(ii) At 31 December 2012, included in other accruals and provisions is an amount due to the ultimate holding company of RM67,240,000 (31 December 2011: RM73,790,000 and 1 January 2011: RM90,663,000) in relation to precious metals on loan to customers of the Bank as disclosed in Note 9 and RM328,221,000 (31 December 2011: RM229,152,000 and 1 January 2011: RM14,724,000) for precious metals purchased from the ultimate holding company.

19. Subordinated bonds

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
RM500 million subordinated bonds 2010 / 2020, at par	**500,000**	500,000	500,000
Unamortised expenses relating to issue of subordinated bonds	**(742)**	(1,098)	(1,372)
	499,258	498,902	498,628

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

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

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

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

The Bonds have been rated AA1 (2011: AA2) by Rating Agency Malaysia Bhd and they qualify as Tier 2 Capital for the purpose of determining the Bank's capital adequacy ratio.

20. Share capital

	Group and Bank 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Authorised:			
2,000,000,000 ordinary shares of RM1 each, at beginning and end of the year	**2,000,000**	2,000,000	2,000,000
Issued and fully paid-up:			
470,000,000 ordinary shares of RM1 each, at beginning and end of the year	**470,000**	470,000	470,000

21. Reserves

	Note	Group 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	Bank 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Non-distributable							
Share premium		**322,555**	322,555	322,555	**322,555**	322,555	322,555
Statutory reserve	(a)	**470,000**	470,000	470,000	**470,000**	470,000	470,000
Revaluation reserves		**107,494**	73,006	72,797	**-**	-	-
Net unrealised reserves on AFS securities		**7,292**	308	5,725	**7,292**	308	5,725
		907,341	865,869	871,077	**799,847**	792,863	798,280
Distributable							
Retained profits	(b)	**4,191,509**	3,528,851	2,901,101	**4,135,672**	3,514,107	2,909,278
Total reserves		**5,098,850**	4,394,720	3,772,178	**4,935,519**	4,306,970	3,707,558

(a) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989, and is not distributable as dividends.

(b) Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (single tier system). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank will elect to pay dividends under the single tier system. Upon declaration, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2013.

22. Financial derivatives

Financial derivatives are instruments whose values change in response to the change in one or more “underlying”, such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. The fair values of the derivatives are as follows:

22. Financial derivatives (continued)

	Group and Bank		
	Contract or underlying principal amount RM'000	**Positive fair value RM'000**	**Negative fair value RM'000**
As at 31 December 2012			
Foreign exchange contracts			
- forwards	**3,484,309**	**15,779**	**16,824**
- swaps	**3,583,731**	**19,204**	**20,862**
Interest rate-related contracts			
- forwards	**-**	**-**	**-**
- swaps	**17,574,575**	**113,060**	**138,521**
Options	**1,444,833**	**6,034**	**7,773**
		154,077	**183,980**
As at 31 December 2011			
Foreign exchange contracts			
- forwards	2,539,564	31,286	49,807
- swaps	5,112,429	44,159	31,242
Interest rate-related contracts			
- forwards	30,000	116	-
- swaps	23,086,189	177,349	264,569
Options	1,161,020	3,950	2,330
		256,860	347,948
As at 1 January 2011			
Foreign exchange contracts			
- forwards	1,613,805	5,514	17,404
- swaps	7,241,624	104,218	55,490
Interest rate-related contracts			
- forwards	60,000	81	87
- swaps	24,379,950	132,867	263,399
Options	678,942	1,568	1,548
		244,248	337,928

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

23. Fair value of financial assets and financial liabilities

(a) Determination of fair value and fair value hierarchy

Presented below is the Group's and the Bank's classified financial instruments carried at fair value by level of the following fair value measurement hierarchy:

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

	31-Dec-12 Group and Bank			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at fair value through profit or loss	**2,871,587**	**367,621**	**-**	**3,239,208**
Available-for-sale securities	**11,227,228**	**340,765**	**-**	**11,567,993**
Derivative financial assets	**-**	**154,077**	**-**	**154,077**
Total financial assets	**14,098,815**	**862,463**	**-**	**14,961,278**
Total financial assets carried at fair value				**14,961,278**
Liabilities				
Derivative financial liabilities	**-**	**183,980**	**-**	**183,980**
Total financial liabilities	**-**	**183,980**	**-**	**183,980**
Total financial liabilities carried at fair value				**183,980**

	31-Dec-11 Group and Bank			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at fair value through profit or loss	1,951,633	522,874	-	2,474,507
Available-for-sale securities	2,642,033	170,556	-	2,812,589
Derivative financial assets	-	256,860	-	256,860
Total financial assets	4,593,666	950,290	-	5,543,956
Total financial assets carried at fair value				5,543,956
Liabilities				
Derivative financial liabilities	-	347,948	-	347,948
Total financial liabilities	-	347,948	-	347,948
Total financial liabilities carried at fair value				347,948

23. Fair value of financial assets and financial liabilities (continued)

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

	1-Jan-11 Group and Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at fair value through profit or loss	1,854,995	420,080	-	2,275,075
Available-for-sale securities	3,260,358	244,706	-	3,505,064
Derivative financial assets	-	244,248	-	244,248
Total financial assets	5,115,353	909,034	-	6,024,387
Total financial assets carried at fair value				6,024,387
Liabilities				
Derivative financial liabilities	-	337,928	-	337,928
Total financial liabilities	-	337,928	-	337,928
Total financial liabilities carried at fair value				337,928

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

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

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

(b) Fair value of financial instruments that are carried at cost as the fair value cannot be reliably measured

Included in the available-for-sale assets as at 31 December 2012 were investment equity securities of RM12,548,000 (31 December 2011: RM12,548,000 and 1 January 2011: RM12,548,000) of the Group and the Bank that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long term investment purpose.

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

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

Loans and receivables comprised cash and short-term funds, loans and advances, other assets and statutory deposits with Bank Negara Malaysia. Fianancial liabilities carried at amortised costs comprised deposits from customers, deposits and placements of banks and/other financial institutions, bills and acceptances payable, amount due to Cagamas, other liabilities and subordinated bonds.

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

For loans, advances and financing and deposits from customers with longer-term maturity, fair values are estimated using discounted cash flow method.

For subordinated bonds issued, fair values are determined based on quoted market prices.

23. Fair value of financial assets and financial liabilities (continued)

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

The estimated fair values of these financial instruments carried at cost or amortised cost approximate their carrying amounts as shown in the statements of financial position as at the reporting date.

24. Interest income

	Group		Bank	
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**31-Dec-12 RM'000**	**31-Dec-11 RM'000**
Loans and advances				
- Interest income other than recoveries from impaired loans	**2,589,688**	2,033,286	**2,596,767**	2,039,915
- Recoveries from impaired loans	**63,832**	65,320	**63,832**	65,320
Money at call and deposit placements with financial institutions	**221,903**	287,271	**221,903**	287,271
Financial assets at fair value through profit or loss	**94,431**	38,913	**94,431**	38,913
Available-for-sale securities	**311,581**	128,419	**311,581**	128,419
Others	**1,178**	1,053	**1,178**	1,053
	3,282,613	2,554,262	**3,289,692**	2,560,891
Amortisation of premium less accretion of discount on:				
Financial assets at fair value through profit or loss	**(738)**	(572)	**(738)**	(572)
Available-for-sale securities	**(5,789)**	(6,998)	**(5,789)**	(6,998)
	3,276,086	2,546,692	**3,283,165**	2,553,321

25. Interest expense

	Group		Bank	
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**31-Dec-12 RM'000**	**31-Dec-11 RM'000**
Deposits and placements of banks and other financial institutions	**93,524**	108,238	**93,550**	108,263
Deposits from customers	**1,680,597**	1,082,367	**1,680,597**	1,082,367
Loans sold to Cagamas	**-**	1,429	**-**	1,429
Subordinated bonds	**24,805**	24,673	**24,805**	24,673
Others	**19,764**	13,839	**19,764**	13,839
	1,818,690	1,230,546	**1,818,716**	1,230,571

26. Other operating income

	Group		Bank	
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**31-Dec-12 RM'000**	**31-Dec-11 RM'000**
Fee income				
- Commission	**177,783**	145,450	**177,783**	145,450
- Guarantee fees	**56,564**	44,878	**56,564**	44,878
- Service charges and fees	**180,738**	162,830	**180,859**	163,067
- Commitment fee	**23,944**	21,694	**23,955**	21,701
- Arrangement and participation fees	**24,290**	7,836	**24,290**	7,836
	463,319	382,688	**463,451**	382,932
Net gains and loses on finacial instruments				
- Loss from sale of financial assets at fair value through profit or loss	**(4,308)**	(13,993)	**(4,308)**	(13,993)
- Loss from trading derivatives	**(31,501)**	(49,086)	**(31,501)**	(49,086)
- Gain from sale of precious metal	**3,220**	5,222	**3,220**	5,222
- Gain from sale/recovery of available-for-sale securities	**17,263**	27,602	**17,263**	27,602
- Unrealised gain/(loss) on financial assets at fair value through profit or loss	**28,619**	(881)	**28,619**	(881)

26. Other operating income (continued)

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
- Gross dividends from:				
- available-for-sale securities quoted in Malaysia	**1,131**	594	**1,131**	594
- associate	**-**	-	**3,890**	7,333
	14,424	(30,542)	**18,314**	(23,209)
Other income				
- Foreign exchange gain/(loss)				
- realised	**173,509**	224,080	**173,509**	224,080
- unrealised	**2,879**	(42,474)	**2,879**	(42,474)
- Rental income from operating leases, other than those from investment properties	**153**	184	**60**	70
- Rental income from investment properties	**250**	658	**-**	-
- Gain/(loss) on disposal of property, plant and equipment	**529**	(153)	**529**	(483)
- Write back of property impairment				
- Freehold land and buildings	**217**	2,423	**-**	-
- Long term leasehold land	**-**	64	**-**	-
- Other operating income	**4,614**	4,546	**4,614**	4,546
- Others	**17,531**	16,649	**17,921**	16,633
	199,682	205,977	**199,512**	202,372
	677,425	558,123	**681,277**	562,095

27. Other operating expenses

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
Personnel expenses	**452,734**	408,634	**449,140**	401,692
Establishment related expenses	**118,758**	118,003	**131,672**	128,904
Promotion and marketing related expenses	**31,043**	37,732	**32,372**	43,829
General administrative expenses	**126,476**	130,917	**125,893**	130,016
	729,011	695,286	**739,077**	704,441
Personnel expenses				
- Wages, salaries and bonus	**355,143**	314,307	**352,275**	308,395
- Defined contribution retirement plan	**54,023**	49,109	**53,580**	48,308
- Other employee benefits	**43,568**	45,218	**43,285**	44,989
	452,734	408,634	**449,140**	401,692
Establishment related expenses				
- Depreciation of property, plant and equipment	**32,035**	32,405	**26,731**	27,223
- Hire of equipment	**59**	56	**59**	56
- Information technology costs	**14,233**	13,226	**14,233**	13,226
- Repair and maintenance	**17,353**	20,113	**17,125**	19,187
- Rental of premises	**13,004**	11,172	**28,659**	25,511
- Others	**42,074**	41,031	**44,865**	43,701
	118,758	118,003	**131,672**	128,904
Promotion and marketing related expenses				
- Advertising and publicity	**18,976**	20,126	**18,968**	20,069
- Others	**12,067**	17,606	**13,404**	23,760
	31,043	37,732	**32,372**	43,829

27. Other operating expenses (continued)

	Group		Bank	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
	RM'000	RM'000	RM'000	RM'000
General administrative expenses				
- Fees and commissions paid	**73,973**	79,649	**73,549**	79,034
- Auditors' remuneration	**455**	465	**437**	424
- Statutory audit	**185**	141	**185**	135
- Assurance related services	**640**	606	**622**	559
- Others	**51,863**	50,662	**51,722**	50,423
	126,476	130,917	**125,893**	130,016
The above expenditure includes the following: CEO and directors' remuneration (Note 28)	**3,163**	1,909	**3,163**	1,909

28. CEO and directors' remuneration

Remuneration in aggregate for all directors charged to the income statements for the year is as follows:

	Group and Bank	
	31-Dec-12	31-Dec-11
	RM'000	RM'000
CEO		
- Salary and other remuneration	**2,103**	867
- Fees	**60**	40
- Bonus	**680**	630
- Benefits-in-kind	**10**	4
Non-executive directors		
- Fees	**310**	368
Total	**3,163**	1,909

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

	Number of Directors	
	31-Dec-12	31-Dec-11
Executive directors:		
RM1 to RM2,000,000	**1**	1
RM2,000,001 to RM2,500,000	**1**	-
Non-executive directors:		
RM1 to RM50,000	**1**	1
RM50,001 to RM100,000	**4**	4

28. CEO and directors' remuneration (continued)

The total remuneration (including benefit-in-kind) of the Directors of the the Bank are as follows:

	Remuneration received from the Bank				
	Salary RM'000	Fees RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
2012					
Executive Directors:					
Chan Kok Seong (resigned on 1 September 2012)	**1,688**	**40**	**680**	**2**	**2,410**
Wong Kim Choong (appointed on 1 October 2012)	**415**	**20**	**-**	**8**	**443**
Non-Executive Directors:					
Wee Cho Yaw	**-**	**70**	**-**	**-**	**70**
Datuk Abu Huraira Bin Abu Yazid	**-**	**67**	**-**	**-**	**67**
Abdul Latif Bin Yahaya	**-**	**63**	**-**	**-**	**63**
Francis Lee Chin Yong	**-**	**60**	**-**	**-**	**60**
Wee Ee Cheong	**-**	**50**	**-**	**-**	**50**
	2,103	**370**	**680**	**10**	**3,163**
2011					
Executive Director:					
Chan Kok Seong	867	40	630	4	1,541
Non-Executive Directors:					
Wee Cho Yaw	-	70	-	-	70
Datuk Abu Huraira Bin Abu Yazid	-	68	-	-	68
Abdul Latif Bin Yahaya	-	63	-	-	63
Francis Lee Chin Yong	-	60	-	-	60
Wee Ee Cheong	-	50	-	-	50
Ng Kee Wei (retired on 8 April 2011)	-	30	-	-	30
Lim Kean Chye (retired on 8 April 2011)	-	27	-	-	27
	867	408	630	4	1,909

29. Allowance for impairment on loans and advances

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
Allowance for impaired loans and advances				
(a) individual impairment				
- made in the financial year	**307,627**	210,473	**307,627**	210,473
- written back in the financial year	**(119,568)**	(116,985)	**(119,568)**	(116,985)
(b) collective impairment				
- made in the financial year	**102,260**	91,535	**102,260**	91,535
Impaired loans and advances				
- written (back)/off	**(7,748)**	(8,027)	**(7,748)**	(8,027)
- recovered	**(62,542)**	(78,360)	**(62,542)**	(78,359)
	220,029	98,636	**220,029**	98,637

30. Income tax expense

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
Income tax:				
Malaysian income tax in respect of current financial year	**291,850**	412,046	**292,752**	413,798
Over provision in prior years	**(44,390)**	(756)	**(44,380)**	(742)
	247,460	411,290	**248,372**	413,056
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	**7,382**	(138,239)	**7,463**	(138,258)
Under/(over) provision in prior years	**40,941**	(1,975)	**40,939**	(1,990)
	48,323	(140,214)	**48,402**	(140,248)
	295,783	271,076	**296,774**	272,808

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000
Profit before taxation	**1,222,816**	1,103,276	**1,182,714**	1,082,087
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	**305,704**	275,820	**295,679**	270,523
Effects of income not subject to tax	**(261)**	(146)	**(261)**	(139)
Effects of expenses not deductible for tax purposes	**4,024**	3,785	**4,797**	5,156
Effects of share of associates' post-tax profit included in Group's profit before taxation	**(10,235)**	(5,652)	**-**	-
Over provision of tax expense in prior years	**(44,390)**	(756)	**(44,380)**	(742)
Under/(over) provision of deferred tax in prior years	**40,941**	(1,975)	**40,939**	(1,990)
Tax expense for the year	**295,783**	271,076	**296,774**	272,808

31. Earnings per share

The basic earnings per ordinary share of the Group has been calculated based on the profit for the year attributable to ordinary shareholders of the Bank of RM885,940,000 (2011: RM809,279,000) and on the number of ordinary shares of RM1 each in issue during the year of 470,000,000 (2011: 470,000,000).

The Group does not have dilutive potential ordinary shares during and as at end of the financial year.

32. Dividends

	Group and Bank 31-Dec-12		Group and Bank 31-Dec-11	
	Net dividend per share sen	Amount of dividend, net of tax RM'000	Net dividend per share sen	Amount of dividend, net of tax RM'000
Final dividend recognised in the year (in respect of the previous financial year)	**56.3**	**264,375**	43.5	204,450
Proposed final dividend	**68.3**	**320,775**	56.3	264,375

32. Dividends (continued)

At the forthcoming Annual General Meeting, a final single-tier dividend of 68.3 per cent in respect of the financial year ended 31 December 2012, on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM320,775,000 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 shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2013.

33. Significant related party transactions and balances

(a) Related parties and relationships

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

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

(b) Key management personnel

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

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

	Ultimate holding company RM'000	Subsidiaries RM'000	Associates RM'000	Key management personnel RM'000	Other related companies RM'000
For year ended 31 December 2012					
Income					
- Interest on placements, loans and advances	**691**	**7,078**	**1,626**	**156**	**361**
- Commission income	**92**	**10**	**-**	**-**	**-**
- Dividend income	**-**	**-**	**3,890**	**-**	**-**
- Service charges income	**507**	**121**	**-**	**-**	**-**
	1,290	**7,209**	**5,516**	**156**	**361**
Expenditure					
- Interest on deposits	**53,208**	**26**	**685**	**688**	**1,728**
- Rental expense	**-**	**15,966**	**-**	**-**	**595**
- Other expenses	**976**	**6,685**	**-**	**-**	**-**
	54,184	**22,677**	**685**	**688**	**2,323**
As at 31 December 2012					
Amount due from					
- Cash and short-term funds	**69,030**	**-**	**-**	**-**	**1,990**
- Loans and advances	**-**	**196,115**	**25,938**	**4,852**	**12,800**
- Other assets	**327,851**	**293**	**-**	**-**	**-**
	396,881	**196,408**	**25,938**	**4,852**	**14,790**

33. Significant related party transactions and balances (continued)
(b) Key management personnel (continued)

	Ultimate holding company RM'000	Subsidiaries RM'000	Associates RM'000	Key management personnel RM'000	Other related companies RM'000
As at 31 December 2012 (continued)					
Amount due to					
- Deposits from customers	**-**	**23,807**	**-**	**35,109**	**-**
- Deposits and placements of banks and other financial institutions	**2,189,561**	**-**	**19,074**	**-**	**51,454**
- Other liabilities	**88,695**	**-**	**-**	**-**	**-**
	2,278,256	**23,807**	**19,074**	**35,109**	**51,454**
For year ended 31 December 2011					
Income					
- Interest on placements, loans and advances	1,866	6,611	1,617	143	-
- Commission income	81	23	-	-	-
- Dividend income	-	-	7,333	-	-
- Service charges income	758	240	-	-	-
	2,705	6,874	8,950	143	-
Expenditure					
- Interest on deposits	67,111	25	669	489	1,464
- Rental expense	-	14,995	-	-	560
- Other expenses	1,805	4,233	-	-	-
	68,916	19,253	669	489	2,024
As at 31 December 2011					
Amount due from					
- Cash and short-term funds	79,958	-	-	-	5,070
- Loans and advances	-	183,851	25,797	4,225	-
- Other assets	228,278	385	-	-	-
	308,236	184,236	25,797	4,225	5,070
Amount due to					
- Deposits from customers	-	11,983	-	27,449	-
- Deposits and placements of banks and other financial institutions	4,879,813	427	25,186	-	57,595
- Other liabilities	109,982	-	-	-	-
	4,989,795	12,410	25,186	27,449	57,595
As at 1 January 2011					
Amount due from					
- Cash and short-term funds	332,354	-	-	-	42
- Loans and advances	-	180,215	25,933	6,626	-
- Other assets	15,228	646	-	-	-
	347,582	180,861	25,933	6,626	42

33. Significant related party transactions and balances (continued)
(b) Key management personnel (continued)

	Ultimate holding company RM'000	Subsidiaries RM'000	Associates RM'000	Key management personnel RM'000	Other related companies RM'000
As at 1 January 2011 (continued)					
Amount due to					
- Deposits from customers	-	14,465	610	26,614	27,654
- Deposits and placements of banks and other financial institutions	223,620	427	32,164	-	18
- Other liabilities	112,921	-	-	-	-
	336,541	14,892	32,774	26,614	27,672

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

	Group and Bank 31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Short-term employee benefits	**20,088**	17,148	14,411
Post employment benefits:			
Defined contribution retirement plan	**2,817**	2,548	2,075
Share based payment*	**4,720**	8,031	3,509
	27,625	27,727	19,995

* In the prior financial years, key management personnel of the Bank were granted options to subscribe in shares of the ultimate holding company under the its Restricted Share Plan and Share Appreciation Rights Plan. As at 31 December 2012 the number of options held by key management personnel under these two plans were 77,500 (31 December 2011: 70,600 and 1 January 2011: 66,650) and 257,450 (31 December 2011: 276,600 and 1 January 2011: 148,500), respectively.

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

As at 31 December 2012	Group and Bank Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
Direct credit substitutes	**1,827,459**	**1,827,458**	**1,065,306**
Transaction-related contingent items	**2,831,763**	**1,415,882**	**815,881**
Short-term self-liquidating trade-related contingencies	**308,146**	**61,629**	**37,405**
Foreign exchange-related contracts			
- less than one year	**6,308,248**	**107,590**	**33,552**
- more than one year to less than five years	**318,141**	**16,730**	**16,106**
Interest rate-related contracts			
- less than one year	**5,182,221**	**17,310**	**5,870**
- more than one year to less than five years	**10,949,435**	**366,195**	**202,047**
- five years and above	**1,398,464**	**114,753**	**88,333**
Equity-related contracts			
- less than one year	**95,013**	**3,885**	**2,496**
- more than one year to less than five years	**75,446**	**1,639**	**447**
Others	**13,639,533**	**1,246,635**	**175,487**
Total	**42,933,869**	**5,179,706**	**2,442,930**

34. Commitments and contingencies (continued)

	Group and Bank		
As at 31 December 2011	Principal amount RM'000	Credit equivalent amount RM'000	Risk-weighted amount RM'000
Direct credit substitutes	1,512,859	1,512,859	963,105
Transaction-related contingent items	2,022,840	1,011,592	581,449
Short-term self-liquidating trade-related contingencies	299,645	59,929	33,079
Foreign exchange-related contracts			
- less than one year	6,851,811	164,834	61,300
Interest rate-related contracts			
- less than one year	10,024,443	65,672	15,233
- more than one year to less than five years	11,074,119	345,269	178,851
- five years and above	1,962,794	167,309	127,669
Equity-related contracts			
- less than one year	16,135	3,142	1,077
- more than one year to less than five years	146,920	2,333	803
Others	13,450,133	1,222,937	201,981
Total	47,361,699	4,555,876	2,164,547
As at 1 January 2011			
Direct credit substitutes	1,659,443	1,659,443	1,073,401
Transaction-related contingent items	1,565,669	782,964	467,133
Short-term self-liquidating trade-related contingencies	321,933	64,387	47,733
Foreign exchange-related contracts			
- less than one year	8,087,126	199,476	46,229
Interest rate-related contracts			
- less than one year	7,341,125	30,347	8,923
- more than one year to less than five years	14,807,248	413,264	170,541
- five years and above	2,204,303	163,376	101,501
Equity-related contracts			
- less than one year	173,155	5,195	1,235
- more than one year to less than five years	105,816	4,233	1,915
Others	11,525,358	1,081,859	174,924
Total	47,791,176	4,404,544	2,093,535

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

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

The Bank had implemented the Basel II Internal Ratings-Based Approach for weighted assets computation effective from June 2010.

35. Capital commitments

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Capital expenditure for property, plant and equipment:			
- authorised and contracted for	**29,977**	26,091	54,294
- authorised but not contracted for	**-**	-	21,012
	29,977	26,091	75,306

36. Lease commitments

The Group as Lessee

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

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

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Future minimum rentals payments:						
Not later than 1 year	**6,795**	7,684	7,463	**6,776**	7,440	7,397
Later than 1 year and not later than 5 years	**6,633**	6,874	5,095	**6,630**	6,716	5,082
	13,428	14,558	12,558	**13,406**	14,156	12,479

37. Financial risk management

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

The Bank's financial risks are centrally managed by the various specialist committees within the delegated authority by the Board of Directors. These various specialist committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Executive Committee (EXCO) and/or Board of Directors.

The Risk Management Division assumes the independent oversight of risks undertaken by the Bank, and takes the lead in the formulation and approval of risk policies, controls and processes. The Market Risk Control Unit within the Risk Management Division enforces Global Markets and Investment Management's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the Bank's Internal Audit.

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

(a) Credit Risk

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

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

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

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

37. Financial risk management (continued)

(a) Credit Risk (continued)

(i) Credit exposure

Group	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Cash and short-term funds	**7,247,301**	13,863,225	9,270,889
Securities purchased under resale agreements	**-**	-	149,973
Deposits and placements with financial institutions	**60,990**	11,686	10,889
Financial assets at fair value through profit or loss	**3,239,208**	2,474,507	2,275,075
Available-for-sale (AFS) securities	**11,580,541**	2,825,137	3,517,612
Loans and advances	**54,997,275**	46,980,894	34,583,171
Derivative financial assets	**154,077**	256,860	244,248
Others	**417,761**	288,340	73,367
	77,697,153	66,700,649	50,125,224
Other assets not subject to credit risk	**2,739,117**	2,346,533	774,365
	80,436,270	69,047,182	50,899,589
Commitments and contingencies	**42,933,869**	47,361,699	47,791,176
	123,370,139	116,408,881	98,690,765

Bank	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Cash and short-term funds	**7,247,301**	13,863,225	9,270,889
Securities purchased under resale agreements	**-**	-	149,973
Deposits and placements with financial institutions	**60,990**	11,686	10,889
Financial assets at fair value through profit or loss	**3,239,208**	2,474,507	2,275,075
Available-for-sale (AFS) securities	**11,580,541**	2,825,137	3,517,612
Loans and advances	**55,193,389**	47,164,745	34,763,386
Derivative financial assets	**154,077**	256,860	244,248
Others	**417,761**	288,725	73,367
	77,893,267	66,884,885	50,305,439
Other assets not subject to credit risk	**2,398,042**	2,085,139	543,550
	80,291,309	68,970,024	50,848,989
Commitments and contingencies	**42,933,869**	47,361,699	47,791,176
	123,225,178	116,331,723	98,640,165

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

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

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

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

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

37. Financial risk management (continued)

(a) Credit Risk (continued)

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

Group	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets and other assets RM'000	Total RM'000	Commitments and Contingencies RM'000
As at 31 December 2012								
Agriculture, hunting, forestry and fishing	-	-	-	**1,101,105**	**(20,815)**	-	**1,080,290**	**368,035**
Mining and quarrying	-	-	-	**131,908**	**(1,391)**	-	**130,517**	**171,163**
Manufacturing	-	-	-	**6,280,758**	**(317,068)**	-	**5,963,690**	**4,698,717**
Electricity, gas and water	-	-	-	**27,921**	**(289)**	-	**27,632**	**109,527**
Construction	-	-	**36,930**	**4,609,804**	**(72,439)**	**2**	**4,574,297**	**4,497,526**
Wholesale and retail trade and restaurants and hotels	-	-	-	**7,442,566**	**(118,506)**	-	**7,324,060**	**4,351,918**
Transport, storage, and communication	-	**178,724**	**31,400**	**583,656**	**(13,458)**	**4,705**	**785,027**	**785,629**
Finance, insurance, and business services	**7,308,291**	**2,871,588**	**11,238,002**	**2,245,269**	**(56,701)**	**563,561**	**24,170,010**	**23,595,711**
Real estate	-	-	**1,013**	**2,700,043**	**(49,255)**	-	**2,651,801**	**457,743**
Community, social and personal services	-	-	-	**176,234**	**(2,580)**	-	**173,654**	**250,733**
Households of which:				**30,477,854**	**(217,225)**	-	**30,260,629**	**3,264,505**
- purchase of residential properties	-	-	-	**21,270,423**	**(94,516)**	-	**21,175,907**	-
- purchase of non-residential properties	-	-	-	**4,821,014**	**(17,283)**	-	**4,803,731**	-
- others	-	-	-	**4,386,417**	**(105,426)**	-	**4,280,991**	**3,264,505**
Others	-	**188,896**	**273,196**	**91,599**	**(1,715)**	**3,570**	**555,546**	**382,662**
	7,308,291	**3,239,208**	**11,580,541**	**55,868,717**	**(871,442)**	**571,838**	**77,697,153**	**42,933,869**
Other assets not subject to credit risk	-	-	-	-	-	**2,739,117**	**2,739,117**	-
	7,308,291	**3,239,208**	**11,580,541**	**55,868,717**	**(871,442)**	**3,310,955**	**80,436,270**	**42,933,869**
Group								
As at 31 December 2011								
Agriculture, hunting, forestry and fishing	-	-	-	540,462	(12,887)	-	527,575	291,468
Mining and quarrying	-	-	-	82,556	(7,056)	-	75,500	253,408
Manufacturing	-	-	-	6,200,739	(249,331)	-	5,951,408	5,153,644
Electricity, gas and water	-	-	-	43,854	(623)	-	43,231	104,771
Construction	-	-	39,020	3,519,461	(52,727)	3	3,505,757	3,716,348
Wholesale and retail trade and restaurants and hotels	-	-	-	6,621,331	(120,048)	-	6,501,283	4,081,391

37. Financial risk management (continued)

(a) Credit Risk (continued)

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

Group	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets and other assets RM'000	Total RM'000	Commitments and Contingencies RM'000
As at 31 December 2011								
Transport, storage, and communication	-	186,986	29,804	518,524	(10,675)	4,823	729,462	330,656
Finance, insurance, and business services	13,874,911	2,129,151	2,653,115	2,253,738	(56,021)	539,115	21,394,009	29,178,109
Real estate	-	-	882	2,305,881	(37,605)	-	2,269,158	246,845
Community, social and personal services	-	-	-	212,430	(2,230)	-	210,200	69,283
Households of which:	-	-	-	25,347,201	(150,813)	-	25,196,388	3,697,970
- purchase of residential properties	-	-	-	18,053,741	(54,823)	-	17,998,918	-
- purchase of non-residential properties	-	-	-	3,379,329	(7,197)	-	3,372,132	-
- others	-	-	-	3,914,131	(88,793)	-	3,825,338	-
Others	-	158,370	102,316	35,483	(750)	1,259	296,678	237,806
	13,874,911	2,474,507	2,825,137	47,681,660	(700,766)	545,200	66,700,649	47,361,699
Other assets not subject to credit risk	-	-	-	-	-	2,346,533	2,346,533	-
	13,874,911	2,474,507	2,825,137	47,681,660	(700,766)	2,891,733	69,047,182	47,361,699
Group								
As at 1 January 2011								
Agriculture, hunting, forestry and fishing	-	-	-	266,054	(6,273)	-	259,781	249,688
Mining and quarrying	-	-	-	71,633	(3,456)	-	68,177	327,457
Manufacturing	-	-	-	5,013,507	(258,092)	-	4,755,415	4,159,636
Electricity, gas and water	-	-	-	49,116	(420)	-	48,696	127,996
Construction	-	-	40,293	1,936,901	(43,864)	2	1,933,332	2,809,493
Wholesale and retail trade and restaurants and hotels	-	-	-	5,069,577	(119,486)	-	4,950,091	3,396,147
Transport, storage, and communication	-	184,057	28,924	354,490	(7,195)	4,719	564,995	136,812
Finance, insurance, and business services	9,431,751	2,004,197	3,305,008	1,875,862	(41,067)	311,406	16,887,157	32,674,512
Real estate	-	-	1,089	1,740,358	(24,895)	-	1,716,552	244,324
Community, social and personal services	-	-	-	94,878	(1,707)	-	93,171	30,845

37. Financial risk management (continued)

(a) Credit Risk (continued)

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

Group	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets and other assets RM'000	Total RM'000	Commitments and Contingencies RM'000
As at 1 January 2011								
Households of which:	-	-	-	18,745,126	(131,838)	-	18,613,288	3,630,544
- purchase of residential properties	-	-	-	13,765,796	(48,714)	-	13,717,082	-
- purchase of non-residential properties	-	-	-	1,855,713	(5,210)	-	1,850,503	-
- others	-	-	-	3,123,617	(77,914)	-	3,045,703	-
Others	-	86,821	142,298	4,148	(186)	1,488	234,569	3,722
	9,431,751	2,275,075	3,517,612	35,221,650	(638,479)	317,615	50,125,224	47,791,176
Other assets not subject to credit risk	-	-	-	-	-	774,365	774,365	-
	9,431,751	2,275,075	3,517,612	35,221,650	(638,479)	1,091,980	50,899,589	47,791,176
Bank								
As at 31 December 2012								
Agriculture, hunting, forestry and fishing	-	-	-	1,101,105	(20,815)	-	1,080,290	368,035
Mining and quarrying	-	-	-	131,908	(1,391)	-	130,517	171,163
Manufacturing	-	-	-	6,280,758	(317,068)	-	5,963,690	4,698,717
Electricity, gas and water	-	-	-	27,921	(289)	-	27,632	109,527
Construction			36,930	4,609,804	(72,439)	2	4,574,297	4,497,526
Wholesale and retail trade and restaurants and hotels	-	-	-	7,442,566	(118,506)	-	7,324,060	4,351,918
Transport, storage, and communication	-	178,724	31,400	583,656	(13,458)	4,705	785,027	785,629
Finance, insurance, and business services	7,308,291	2,871,588	11,238,002	2,245,269	(56,701)	563,561	24,170,010	23,595,711
Real estate	-	-	1,013	2,896,157	(49,255)	-	2,847,915	457,743
Community, social and personal services	-	-	-	176,234	(2,580)	-	173,654	250,733
Households of which:	-	-	-	30,477,854	(217,225)	-	30,260,629	3,264,505
- purchase of residential properties	-	-	-	21,270,423	(94,516)	-	21,175,907	-
- purchase of non-residential properties	-	-	-	4,821,014	(17,283)	-	4,803,731	-
- others	-	-	-	4,386,417	(105,426)	-	4,280,991	3,264,505
Others	-	188,896	273,196	91,599	(1,715)	3,570	555,546	382,662
	7,308,291	3,239,208	11,580,541	56,064,831	(871,442)	571,838	77,893,267	42,933,869
Other assets not subject to credit risk						2,398,042	2,398,042	-
	7,308,291	3,239,208	11,580,541	56,064,831	(871,442)	2,969,880	80,291,309	42,933,869

37. Financial risk management (continued)

(a) Credit Risk (continued)

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

Bank As at 31 December 2011	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets and other assets RM'000	Total RM'000	Commitments and Contingencies RM'000
Agriculture, hunting, forestry and fishing	-	-	-	540,462	(12,887)	-	527,575	291,468
Mining and quarrying	-	-	-	82,556	(7,056)	-	75,500	253,408
Manufacturing	-	-	-	6,200,739	(249,331)	-	5,951,408	5,153,644
Electricity, gas and water	-	-	-	43,854	(623)	-	43,231	104,771
Construction	-	-	39,020	3,519,461	(52,727)	3	3,505,757	3,716,348
Wholesale and retail trade and restaurants and hotels	-	-	-	6,621,331	(120,048)	-	6,501,283	4,081,391
Transport, storage, and communication	-	186,986	29,804	518,524	(10,675)	4,823	729,462	330,656
Finance, insurance, and business services	13,874,911	2,129,151	2,653,115	2,253,738	(56,021)	539,499	21,394,393	29,178,109
Real estate	-	-	882	2,489,732	(37,605)	-	2,453,009	246,845
Community, social and personal services	-	-	-	212,430	(2,230)	-	210,200	69,283
Households of which:-	-	-	-	25,347,201	(150,813)	-	25,196,388	3,697,970
- purchase of residential properties	-	-	-	18,053,741	(54,823)	-	17,998,918	-
- purchase of non-residential properties	-	-	-	3,379,329	(7,197)	-	3,372,132	-
- others	-	-	-	3,914,131	(88,793)	-	3,825,338	-
Others	-	158,370	102,316	35,483	(750)	1,260	296,679	237,806
	13,874,911	2,474,507	2,825,137	47,865,511	(700,766)	545,585	66,884,885	47,361,699
Other assets not subject to credit risk	-	-	-	-	-	2,085,139	2,085,139	-
	13,874,911	2,474,507	2,825,137	47,865,511	(700,766)	2,630,724	68,970,024	47,361,699

Bank As at 1 January 2011								
Agriculture, hunting, forestry and fishing	-	-	-	266,054	(6,273)	-	259,781	249,688
Mining and quarrying	-	-	-	71,633	(3,456)	-	68,177	327,457
Manufacturing	-	-	-	5,013,507	(258,092)	-	4,755,415	4,159,636
Electricity, gas and water	-	-	-	49,116	(420)	-	48,696	127,996
Construction	-	-	40,293	1,936,901	(43,864)	2	1,933,332	2,809,493
Wholesale and retail trade and restaurants and hotels	-	-	-	5,069,577	(119,486)	-	4,950,091	3,396,147
Transport, storage, and communication	-	184,057	28,924	354,490	(7,195)	4,719	564,995	136,812

37. Financial risk management (continued)

(a) Credit Risk (continued)

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

Bank As at 1 January 2011 (continued)	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Fair value through profit or loss RM'000	Available-for-sale securities RM'000	Loans and advances RM'000	Individual impairment and collective impairment RM'000	Derivative financial assets and other assets RM'000	Total RM'000	Commitments and Contingencies RM'000
Finance, insurance,	-	-	-	-	-	-		-
and business services	9,431,751	2,004,197	3,305,008	2,056,077	(41,067)	311,406	17,067,372	32,674,512
Real estate	-	-	1,089	1,740,358	(24,895)	-	1,716,552	244,324
Community, social and personal services	-	-	-	94,878	(1,707)	-	93,171	30,845
Households of which:	-	-	-	18,745,126	(131,838)	-	18,613,288	3,630,544
- purchase of residential properties	-	-	-	13,765,796	(48,714)	-	13,717,082	-
- purchase of non-residential properties	-	-	-	1,855,713	(5,210)	-	1,850,503	-
- others	-	-	-	3,123,617	(77,914)	-	3,045,703	-
Others	-	86,821	142,298	4,148	(186)	1,488	234,569	3,722
	9,431,751	2,275,075	3,517,612	35,401,865	(638,479)	317,615	50,305,439	47,791,176
Other assets not subject to credit risk	-	-	-	-	-	543,550	543,550	-
	9,431,751	2,275,075	3,517,612	35,401,865	(638,479)	861,165	50,848,989	47,791,176

(iii) Credit quality of gross loans and debt securities

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

	As at 31 December 2012		As at 31 December 2011		As at 1 January 2011	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Passed	**54,570,652**	**54,766,766**	46,658,161	46,842,012	34,110,635	34,290,850
Special mention	**303,894**	**303,894**	190,103	190,103	241,447	241,447
Substandard	**686,946**	**686,946**	593,833	593,833	603,501	603,501
Doubtful	**65,557**	**65,557**	25,503	25,503	25,272	25,272
Loss	**241,668**	**241,668**	214,060	214,060	240,795	240,795
	55,868,717	**56,064,831**	47,681,660	47,865,511	35,221,650	35,401,865

Gross impaired debt securities of the Bank as at 31 December 2012 was RM350,032,000 (2011: RM170,832,000 and 2010: RM244,982,000) and allowance for impairment of RM8,891,000 (2011: RM nil and 2010: RM nil) was made for these securities.

37. Financial risk management (continued)

(a) Credit Risk (continued)

(iv) Ageing analysis of past due and impaired assets

Group and Bank	As at 31 December 2012 Past due but not impaired RM'000	Impaired RM'000	As at 31 December 2011 Past due but not impaired RM'000	Impaired RM'000	As at 1 January 2011 Past due but not impaired RM'000	Impaired RM'000
Current	**-**	**74,916**	-	52,994	-	21,328
Within 90 days	**2,516,229**	**158,700**	2,195,830	132,250	1,549,148	47,012
Over 90 to 180 days	**-**	**175,769**	-	112,421	-	126,438
Over 180 days	**-**	**584,786**	-	535,731	-	674,790
	2,516,229	**994,171**	2,195,830	833,396	1,549,148	869,568

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

Group and Bank	As at 31 December 2012 Past due but not impaired RM'000	Impaired RM'000	Individual impaired RM'000	As at 31 December 2011 Past due but not Impaired RM'000	impaired RM'000	Individual Impaired RM'000
Agriculture, hunting, forestry and fishing	**3,124**	**216**	**216**	1,498	634	591
Manufacturing	**253,545**	**318,562**	**190,552**	285,087	257,876	132,854
Electricity, gas and water	**314**	**-**	**-**	-	-	-
Construction	**324,326**	**117,252**	**23,880**	228,631	106,778	15,783
Wholesale and retail trade and restaurants and hotels	**241,028**	**100,718**	**38,306**	376,467	122,472	41,669
Transport, storage and communication	**12,428**	**5,503**	**3,159**	12,983	5,071	1,670
Finance, insurance and business services	**102,668**	**19,987**	**10,049**	53,438	19,357	10,317
Real estate	**77,477**	**22,733**	**2,057**	56,839	10,528	1,394
Community, social and personal services	**5,111**	**1,068**	**234**	16,442	895	60
Households of which:	**1,496,208**	**408,132**	**49,278**	1,164,445	309,785	44,977
- purchase of residential properties	**1,117,550**	**314,356**	**24,553**	926,286	239,435	26,700
- purchase of non-residential properties	**178,003**	**34,721**	**7,832**	99,582	14,952	1,062
- others	**200,655**	**59,055**	**16,893**	138,577	55,398	17,215
	2,516,229	**994,171**	**317,731**	2,195,830	833,396	249,315

37. Financial risk management (continued)
(a) Credit Risk (continued)
(v) Past due but not impaired and impaired assets analysed by industry (continued)

Group and Bank	Past due but not Impaired RM'000	impaired RM'000	Individual Impaired RM'000
	As at 1 January 2011		
Agriculture, hunting, forestry and fishing	2,563	1,866	1,609
Manufacturing	310,233	308,353	143,617
Construction	106,835	42,198	19,609
Wholesale and retail trade and restaurants and hotels	173,194	127,356	51,801
Transport, storage and communication	18,373	2,916	1,490
Finance, insurance and business services	47,525	20,306	6,906
Real estate	43,833	14,310	1,886
Community, social and personal services	13,526	2,482	69
Households of which:			
- purchase of residential properties	651,318	276,543	29,023
- purchase of non-residential properties	69,608	14,587	1,284
- others	112,140	58,651	21,269
	1,549,148	869,568	278,563

(vi) Security coverage of impaired assets

Group and Bank	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Secured impaired assets	**645,181**	546,173	556,334
Unsecured impaired assets	**348,990**	287,223	313,234
	994,171	833,396	869,568
Estimated fair value of collateral for secured impaired assets			
Properties	**664,100**	545,054	555,411
Marketable securities, fixed deposits and others	**1,081**	119	923
	665,181	545,173	556,334

(vii) Effects of holding collaterals
The credit risk of financial assets of the Group and the Bank is mitigated by the collaterals held against the financial assets.

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

For loan and advances, individual assessment allowance as at the date of the statement of financial position would have been higher by approximately RM665,181,000 (31 December 2011: RM545,173,000 and 1 January 2011: RM556,334,000) without the collateral held.

(viii) Repossessed collateral
These are assets obtained by taking possession of collaterals held as security against loans and advances.

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

For the financial years ended 31 December 2012 and 2011, there are no repossessed collaterals.

37. Financial risk management (continued)
(a) Credit Risk (continued)
(ix) Credit exposure analysed by geography

Group	As at 31 December 2012		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	**6,790,747**	**465,554**	**7,247,301**
Deposits and placements with financial institutions	**60,990**	**-**	**60,990**
Financial assets at fair value through profit or loss	**3,239,208**	**-**	**3,239,208**
Available-for-sale (AFS) securities	**11,569,637**	**10,904**	**11,580,541**
Loans and advances	**54,997,275**	**-**	**54,997,275**
Derivative financial assets	**139,975**	**14,102**	**154,077**
Others	**417,761**	**-**	**417,761**
	77,215,593	**481,560**	**77,697,153**
Commitments and contingencies	**41,203,058**	**1,730,811**	**42,933,869**
	118,418,651	**2,212,371**	**120,631,022**

Group	As at 31 December 2011		
Cash and short-term funds	13,473,780	389,445	13,863,225
Deposits and placements with financial institutions	11,686	-	11,686
Financial assets at fair value through profit or loss	2,474,507	-	2,474,507
Available-for-sale (AFS) securities	2,817,293	7,844	2,825,137
Loans and advances	46,980,894	-	46,980,894
Derivative financial assets	236,329	20,478	256,860
Others	288,340	-	288,340
	66,282,882	417,767	66,700,649
Commitments and contingencies	45,488,642	1,873,057	47,361,699
	111,771,524	2,290,824	114,062,348

Group	As at 1 January 2011		
Cash and short-term funds	8,347,800	923,089	9,270,889
Securities purchased under resale agreements	149,973	-	149,973
Deposits and placements with financial institutions	10,889	-	10,889
Financial assets at fair value through profit or loss	2,275,075	-	2,275,075
Available-for-sale (AFS) securities	3,512,408	5,204	3,517,612
Loans and advances	34,583,171	-	34,583,171
Derivative financial assets	204,820	39,428	244,248
Others	72,721	-	72,721
	49,156,857	967,721	50,124,578
Commitments and contingencies	45,901,832	1,889,344	47,791,176
	95,058,689	2,857,065	97,915,754

37. Financial risk management (continued)
(a) Credit Risk (continued)
(ix) Credit exposure analysed by geography (continued)

Bank	As at 31 December 2012		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	**6,790,747**	**456,554**	**7,247,301**
Deposits and placements with financial institutions	**60,990**	**-**	**60,990**
Financial assets at fair value through profit or loss	**3,239,208**	**-**	**3,239,208**
Available-for-sale (AFS) securities	**11,569,637**	**10,904**	**11,580,541**
Loans and advances	**55,193,389**	**-**	**55,193,389**
Derivative financial assets	**139,975**	**14,102**	**154,077**
Others	**417,761**	**-**	**417,761**
	77,411,707	**481,560**	**77,893,267**
Commitments and contingencies	**41,203,058**	**1,730,811**	**42,933,869**
	118,614,765	**2,212,371**	**120,827,136**

Bank	As at 31 December 2011		
Cash and short-term funds	13,473,780	389,445	13,863,225
Deposits and placements with financial institutions	11,686	-	11,686
Financial assets at fair value through profit or loss	2,474,507	-	2,474,507
Available-for-sale (AFS) securities	2,817,293	7,844	2,825,137
Loans and advances	47,164,745	-	47,164,745
Derivative financial assets	236,382	20,478	256,860
Others	288,725	-	288,725
	66,467,118	417,767	66,884,885
Commitments and contingencies	45,488,642	1,873,057	47,361,699
	111,955,760	2,290,824	114,246,584

Bank	As at 1 January 2011		
Cash and short-term funds	8,347,800	923,089	9,270,889
Securities purchased under resale agreements	149,973	-	149,973
Deposits and placements with financial institutions	10,889	-	10,889
Financial assets at fair value through profit or loss	2,275,075	-	2,275,075
Available-for-sale (AFS) securities	3,512,408	5,204	3,517,612
Loans and advances	34,763,386	-	34,763,386
Derivative financial assets	204,629	39,428	244,248
Others	73,367	-	73,367
	49,337,718	967,721	50,305,439
Commitments and contingencies	45,901,832	1,889,344	47,791,176
	95,239,550	2,857,065	98,096,615

37. Financial risk management (continued)

(b) Market risk

(i) Foreign exchange risk

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

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

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

(ii) Interest rate risk

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

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

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative RM62 million and RM116 million (31 December 2011: negative RM2 million and RM3 million and 1 January 2011: negative RM26 million and RM48 million) respectively. This is computed on the banking book for major currencies (Ringgit Malaysia and US Dollar). The reported figures are based on the worst case of an upward and downward parallel movement of the yield curve. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers.

(iii) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Bank manages liquidity risk in accordance with the liquidity framework approved by the Asset and Liability Committee (ALCO) and which are also adequate to meet the requirements under Bank Negara Malaysia's New Liquidity Framework. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Bank is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

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

37. Financial risk management (continued)

(b) Market risk (continued)

(iii) Liquidity risk (continued)

Group As at 31 December 2012	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	6,744,096	-	-	-	-	512,503	7,256,599
Deposits and placements with financial institutions	60,240	-	-	-	-	990	61,230
Financial assets at fair value through profit or loss	1,236,122	1,014,212	209,865	674,342	215,400	-	3,349,941
Available-for-sale securities	7,946,763	497,190	131,470	3,143,394	469,814	26,386	12,215,017
Loans and advances	11,714,684	2,891,567	3,963,142	15,111,279	51,138,048	-	84,818,720
Derivative financial assets	23,778	12,194	16,034	63,377	38,694	-	154,077
Other assets	2	-	-	-	-	3,109,677	3,109,679
	27,725,789	4,415,163	4,320,511	18,992,392	51,861,956	3,649,556	110,965,367
Liabilities							
Deposits from customers	49,898,828	5,206,753	11,119,077	147,402	-	52,854	66,424,914
Deposits and placements of banks and other financial institutions	1,681,842	966,266	55,631	288,584	1,309,425	58,598	4,360,346
Bills and acceptances payables	2,462,349	16,414	-	-	-	227,963	2,706,726
Derivative financial liabilities	34,254	13,119	6,332	82,198	48,077	-	183,980
Other liabilities	-	-	-	-	-	1,137,835	1,137,835
Subordinated bonds	12,149	-	12,367	536,500	-	-	561,016
	54,089,422	6,202,552	11,193,407	1,054,684	1,357,502	1,477,250	75,374,817
Net maturity mismatches	(26,363,633)	(1,787,389)	(6,872,896)	17,937,708	50,504,454		
Off balance sheet liabilities							
Credit and commitments	8,586,754	4,130,687	6,936,890	2,364,702	218,942	-	22,237,975
Derivatives	(843)	1,140	1,453	11,431	1,826	-	15,007
Net Maturity mismatches	8,585,911	4,131,827	6,938,343	2,376,133	220,768	-	22,252,982

37. Financial risk management (continued)
(b) Market risk (continued)
(iii) Liquidity risk (continued)

Group As at 31 December 2011	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-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	13,495,318	-	-	-	-	386,271	13,881,589
Deposits and placements with financial institutions	11,978	-	-	-	-	510	12,488
Financial assets at fair value through profit or loss	743,805	1,075,227	33,745	629,116	86,981	-	2,568,874
Available-for-sale securities	1,864,783	224,024	44,931	589,667	354,639	22,572	3,100,616
Loans and advances	10,645,753	2,452,548	3,144,420	13,331,033	40,357,906	-	69,931,660
Derivative financial assets	50,566	21,620	30,911	99,933	53,830	-	256,860
Other assets	3	-	-	-	-	2,606,914	2,606,917
	26,812,206	3,773,419	3,254,007	14,649,749	40,853,356	3,016,267	92,359,004
Liabilities							
Deposits from customers	41,650,488	4,353,150	6,857,832	275,904	-	31,612	53,168,986
Deposits and placements of banks and other financial institutions	3,601,017	839,926	692,856	334,779	1,042,071	35,379	6,546,028
Bills and acceptances payables	2,538,445	43,726	-	-	-	261,615	2,843,786
Derivative financial liabilities	93,101	39,551	27,694	112,819	74,783	-	347,948
Other liabilities	-	-	-	-	-	1,086,043	1,086,043
Subordinated bonds	12,151	-	12,200	561,016	-	-	585,367
	47,895,202	5,276,353	7,590,582	1,284,518	1,116,854	1,414,649	64,578,158
Net maturity mismatches	(21,082,996)	(1,502,934)	(4,336,575)	13,365,231	39,736,502		
Off balance sheet liabilities							
Credit and commitments	7,696,355	4,866,775	6,360,120	1,635,968	46,712	-	20,605,930
Derivatives	31,475	31,780	5,616	32,098	4,644	-	105,613
Net Maturity mismatches	7,727,830	4,898,555	6,365,736	1,668,066	51,356	-	20,711,543

37. Financial risk management (continued)
(b) Market risk (continued)
(iii) Liquidity risk (continued)

Group As at 1 January 2011	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-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	8,561,269	-	-	-	-	720,318	9,281,587
Securities purchased under resale agreement	150,432	-	-	-	-	-	150,432
Deposits and placements with financial institutions	-	-	11,671	-	-	-	11,671
Financial assets at fair value through profit or loss	1,680,135	130,351	12,786	502,314	-	-	2,325,586
Available-for-sale securities	1,411,430	269,907	382,761	1,414,871	441,635	19,897	3,940,501
Loans and advances	8,676,731	2,213,851	2,124,074	9,718,202	26,967,527	-	49,700,385
Derivative financial assets	85,603	21,382	12,467	101,585	23,211	-	244,248
Other assets	2	-	-	-	-	820,529	820,531
	20,565,602	2,635,491	2,543,759	11,736,972	27,432,373	1,560,744	66,474,941
Liabilities							
Deposits from customers	33,386,843	2,335,538	3,129,572	278,874	93,552	25,784	39,250,163
Deposits and placements of banks and other financial institutions	2,726,489	14,611	34,234	177,387	886,375	64,450	3,903,546
Bills and acceptances payables	2,028,299	25,586	-	-	-	225,332	2,279,218
Amount due to Cagamas	1,022	1,034	31,288	-	-	-	33,344
Derivative financial liabilities	52,986	13,401	39,414	190,066	42,061	-	337,928
Other liabilities	-	-	-	-	-	492,150	492,150
Subordinated bonds	12,100	-	12,300	585,367	-	-	609,767
	38,207,739	2,390,170	3,246,808	1,231,694	1,021,988	807,716	46,906,116
Net maturity mismatches	(17,642,137)	245,321	(703,049)	10,505,278	26,410,385		
Off balance sheet liabilities							
Credit and commitments	9,330,371	3,807,249	5,510,731	1,269,741	1,963	-	19,920,055
Derivatives	9,890	13,044	33,971	91,110	6,052	-	154,067
Net Maturity mismatches	9,340,261	3,820,293	5,544,702	1,360,851	8,015	-	20,074,122

37. Financial risk management (continued)
(b) Market risk (continued)
(iii) Liquidity risk (continued)

Bank As at 31 December 2012	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	6,744,200	-	-	-	-	512,503	7,256,599
Deposits and placements with financial institutions	60,240	-	-	-	-	990	61,230
Financial assets at fair value through profit or loss	1,236,122	1,014,212	209,865	674,342	215,400	-	3,349,941
Available-for-sale securities	7,946,763	497,190	131,470	3,143,394	469,814	26,386	12,215,017
Loans and advances	11,910,636	2,891,567	3,963,142	15,111,279	51,138,048	-	85,014,672
Derivative financial assets	23,778	12,194	16,034	63,377	38,694	-	154,077
Other assets	2	-	-	-	-	2,768,601	2,768,603
	27,921,741	4,415,163	4,320,511	18,992,392	51,861,956	3,308,480	110,820,243
Liabilities							
Deposits from customers	49,918,052	5,206,753	11,119,077	147,402	-	52,854	66,444,138
Deposits and placements of banks and other financial institutions	1,682,268	966,266	55,631	288,584	1,309,425	58,598	4,360,772
Bills and acceptances payables	2,462,349	16,414	-	-	-	227,963	2,706,726
Derivative financial liabilities	34,254	13,119	6,332	82,198	48,077	-	183,980
Other liabilities	-	-	-	-	-	1,136,555	1,136,555
Subordinated bonds	12,149	-	12,367	536,500	-	-	561,016
	54,109,072	6,202,552	11,193,407	1,054,684	1,357,502	1,475,970	75,393,187
Net maturity mismatches	(26,187,331)	(1,787,389)	(6,872,896)	17,937,708	50,504,454		
Off balance sheet liabilities							
Credit and commitments	8,586,754	4,130,687	6,936,890	2,364,702	218,942	-	22,237,975
Derivatives	(843)	1,140	1,453	11,431	1,826	-	15,007
Net Maturity mismatches	8,585,911	4,131,827	6,938,343	2,376,133	220,768	-	22,252,982

37. Financial risk management (continued)
(b) Market risk (continued)
(iii) Liquidity risk (continued)

Bank As at 31 December 2011	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-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	13,495,318	-	-	-	-	386,271	13,881,589
Deposits and placements with financial institutions	11,978	-	-	-	-	510	12,488
Financial assets at fair value through profit or loss	743,805	1,075,227	33,745	629,116	86,981	-	2,568,874
Available-for-sale securities	1,864,783	224,024	44,931	589,667	354,639	22,572	3,100,616
Loans and advances	10,829,605	2,452,548	3,144,420	13,331,033	40,357,906	-	70,115,512
Derivative financial assets	50,566	21,620	30,911	99,933	58,830	-	256,860
Other assets	3	-	-	-	-	2,345,845	2,345,848
	26,996,058	3,773,419	3,254,007	14,649,749	40,853,356	2,755,198	92,281,787
Liabilities							
Deposits from customers	41,662,471	4,353,150	6,857,832	275,904	-	31,611	53,180,968
Deposits and placements of banks and other financial institutions	3,601,443	839,926	692,856	334,779	1,042,071	35,379	6,546,454
Bills and acceptances payables	2,538,445	43,726	-	-	-	261,615	2,843,786
Derivative financial liabilities	93,101	39,551	27,694	112,819	74,783	-	347,948
Other liabilities	-	-	-	-	-	1,084,225	1,084,225
Subordinated bonds	12,151	-	12,200	561,016	-	-	585,367
	47,907,611	5,276,353	7,590,582	1,284,518	1,116,854	1,412,830	64,588,748
Net maturity mismatches	(20,911,553)	(1,502,934)	(4,336,575)	13,365,231	39,736,502		
Off balance sheet liabilities							
Credit and commitments	7,696,355	4,866,775	6,360,120	1,635,968	46,712	-	20,605,930
Derivatives	31,475	31,780	5,616	32,098	4,644	-	105,613
Net Maturity mismatches	7,727,830	4,898,555	6,365,736	1,668,066	51,356	-	20,711,543

37. Financial risk management (continued)
(b) Market risk (continued)
(iii) Liquidity risk (continued)

Bank **As at 1 January 2011**	**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-specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	8,561,269	-	-	-	-	720,318	9,281,587
Securities purchased under resale agreement	150,432	-	-	-	-	-	150,432
Deposits and placements with financial institutions	-	-	11,671	-	-	-	11,671
Financial assets at fair value through profit or loss	1,680,135	130,351	12,786	502,314	-	-	2,325,586
Available-for-sale securities	1,411,430	269,907	382,761	1,414,871	441,635	19,897	3,940,501
Loans and advances	8,856,548	2,213,851	2,124,074	9,718,202	26,967,527	-	49,880,202
Derivative financial assets	85,603	21,382	12,467	101,585	23,211	-	244,248
Other assets	2	-	-	-	-	589,714	589,716
	20,745,419	2,635,491	2,543,759	11,736,972	27,432,373	1,329,929	66,423,943
Liabilities							
Deposits from customers	33,401,309	2,335,538	3,129,572	278,874	93,552	25,784	39,264,629
Deposits and placements of banks and other financial institutions	2,727,502	14,611	34,234	177,387	886,375	63,863	3,903,972
Bills and acceptances payables	2,028,299	25,586	-	-	-	225,332	2,279,218
Amount due to Cagamas	1,022	1,034	31,288	-	-	-	33,344
Derivative financial liabilities	52,986	13,401	39,414	190,066	42,061	-	337,928
Other liabilities	-	-	-	-	-	491,279	491,279
Subordinated bonds	12,100	-	12,300	585,367	-	-	609,767
	38,223,218	2,390,170	3,246,808	1,231,694	1,021,988	806,258	46,920,136
Net maturity mismatches	(17,477,799)	245,321	(703,049)	10,505,278	26,410,385		
Off balance sheet liabilities							
Credit and commitments	9,330,371	3,807,249	5,510,731	1,269,741	1,963	-	19,920,055
Derivatives	9,890	13,044	33,971	91,110	6,052	-	154,067
Net Maturity mismatches	9,340,261	3,820,293	5,544,702	1,360,851	8,015	-	20,074,122

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 34. These have been incorporated in the net off-balance sheet position for years ended 31 December 2012 and 31 December 2011. The total outstanding contractual amounts of these items do not represent future cash requirements since the Bank expects 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.

Under the new MFRS7 disclosure, the Group and the Bank's disclosure on exposure to liquidity risk was based on contractual undiscounted repayment obligation.

37. Financial risk management (continued)

(b) Market risk (continued)

(iv) Value-at-Risk

The Group adopts a daily Value-at-Risk (VaR) to estimate market risk within a 99% confidence interval using the historical simulation method. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements. The level of VaR is dependent on the exposures, as well as market prices and volatilities. The table below shows the VaR profile by risk classes.

	Year end RM'000	High RM'000	Low RM'000	Average RM'000
As at 31 December 2012				
Interest rate	**1,051**	**2,118**	**389**	**901**
Foreign Exchange	**1,416**	**6,270**	**184**	**1,200**
Basis Swap Spread	**2,407**	**2,752**	**126**	**1,245**
Total Diversified VAR	**1,756**	**6,180**	**718**	**2,144**
As at 31 December 2011				
Interest rate	881	3,178	495	1,163
Foreign Exchange	427	3,645	118	671
Basis Swap Spread	999	2,675	429	810
Total Diversified VAR	1,511	3,929	570	1,358
As at 1 January 2011				
Interest rate	693	3,247	497	1,272
Foreign Exchange	553	1,575	81	455
Basis Swap Spread	596	4,457	523	1,781
Total Diversified VAR	876	5,982	700	2,196

38. Segment information

Operating segment

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance. The Group's businesses are organised into the following four segments based on the types of products and services that it provides:

Retail

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

Institutional Financial Services (IFS)

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

38. Segment information (continued)

Global Markets and Investment Management (GMIM)

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

Others

The other segments includes property-related activities, insurance businesses and income and expenses not attributable to other operating segments.

Group As at 31 December 2012	Retail RM'000	IFS RM'000	GMIM RM'000	Others RM'000	Elimination RM'000	Total RM'000
Operating income	**1,060,961**	**713,846**	**177,855**	**208,930**	**(26,771)**	**2,134,821**
Other operating expense	**(486,938)**	**(141,352)**	**(45,584)**	**(78,153)**	**23,016**	**(729,011)**
Allowance for impairment on loans and advances	**(50,113)**	**(69,305)**	**-**	**(100,611)**	**-**	**(220,029)**
Impairment loss on available-for-sales (AFS) securities	**-**	**-**	**(8,991)**	**-**	**-**	**(8,991)**
Net write back of provision for commitments and contingencies	**-**	**5,085**	**-**	**-**	**-**	**5,085**
Share of profit of associate (net of tax)	**-**	**-**	**-**	**40,941**	**-**	**40,941**
Profit before taxation	**523,910**	**508,274**	**123,280**	**91,107**	**(3,755)**	**1,222,816**
Gross loans	**36,229,064**	**19,526,243**	**241,224**	**73,301**	**(201,115)**	**55,868,717**
Deposits from customers	**34,411,207**	**23,508,253**	**7,646,912**	**40,702**	**(19,224)**	**65,587,850**

Group As at 31 December 2011	Retail RM'000	IFS RM'000	GMIM RM'000	Others RM'000	Elimination RM'000	Total RM'000
Operating income	987,699	601,519	140,348	175,879	(31,176)	1,874,269
Other operating expense	(481,416)	(118,758)	(37,259)	(83,923)	26,070	(695,286)
Allowance for impairment on loans and advances	(32,366)	24,422	-	(90,692)	-	(98,636)
Net write back of provision for commitments and contingencies	50	270	-	-	-	320
Share of profit of associate (net of tax)	-	-	-	22,609	-	22,609
Profit before taxation	473,967	507,453	103,089	23,873	(5,106)	1,103,276
Gross loans	30,478,522	17,203,130	8	183,852	(183,852)	47,681,660
Deposits from customers	25,883,111	18,802,777	7,966,630	2,547	(11,983)	52,643,082

39. Capital management and capital adequacy

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

The Group computes capital adequacy ratios in accordance with Bank Negara Malaysia's guideline.

39. Capital management and capital adequacy (continued)

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Tier I Capital						
Paid-up share capital	**470,000**	470,000	470,000	**470,000**	470,000	470,000
Share premium	**322,555**	322,555	322,555	**322,555**	322,555	322,555
Retained profits	**4,191,509**	3,528,851	2,901,101	**4,135,672**	3,514,107	2,909,278
Statutory reserve	**470,000**	470,000	470,000	**470,000**	470,000	470,000
Less: Deferred tax assets	**(232,474)**	(290,595)	(148,576)	**(239,925)**	(290,655)	(148,602)
	5,221,590	4,500,811	4,015,080	**5,158,302**	4,486,007	4,023,231
Tier II Capital						
Subordinated bonds	**500,000**	500,000	500,000	**500,000**	500,000	500,000
RM collective impairment (proportion of Standardised Approach's Risk-Weighted Assets (RWA)	**91,195**	72,501	61,756	**87,834**	70,090	59,419
Surplus of total eligible provisions over total expected loss (Internal Rating Based (IRB) approach)	**80,847**	(11,953)	(2,828)	**84,208**	(9,542)	(492)
Property revaluation reserve	**61,193**	-	-	**-**	-	-
	733,235	560,548	558,928	**672,042**	560,548	558,927
Total capital	**5,954,825**	5,061,359	4,574,008	**5,830,344**	5,046,555	4,582,158
Less: Investment in subsidiaries	**-**	-	-	**(50)**	(50)	(50)
Capital base	**5,954,825**	5,061,359	4,574,008	**5,830,294**	5,046,505	4,582,108

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

	Group			Bank		
	31-Dec-12	31-Dec-11	1-Jan-11	31-Dec-12	31-Dec-11	1-Jan-11
Core capital ratio	**13.93%**	13.48%	15.05%	**13.85%**	13.49%	15.19%
Risk-weighted capital ratio	**15.89%**	15.16%	17.14%	**15.66%**	15.17%	17.30%
Core capital ratio (net of proposed dividends)	**13.08%**	12.69%	14.28%	**12.99%**	12.69%	14.42%
Risk-weighted capital ratio (net of proposed dividends)	**15.03%**	14.37%	16.38%	**14.79%**	14.38%	16.53%

The capital ratios are computed in accordance with the Basel II IRB approach.

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

	Group			Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Total RWA for credit risk	**32,784,842**	29,402,963	22,565,776	**32,548,333**	29,217,085	22,390,278
Total RWA for market risk	**797,538**	646,320	523,537	**797,538**	646,320	523,537
Total RWA for operational risk	**3,466,298**	2,914,924	2,527,863	**3,466,298**	2,974,088	2,527,863
Large exposure for equity holdings RWA	**427,009**	427,009	427,009	**427,009**	427,009	427,009
Additional RWA due to capital floor	**-**	-	639,658	**-**	-	620,650
	37,475,687	33,391,216	26,683,843	**37,239,178**	33,264,502	26,489,337

40. Credit exposure arising from credit transactions with connected parties

	Bank		
	31-Dec-12	**31-Dec-11**	**1-Jan-11**
Outstanding credit exposures with connected parties (RM'000)	**354,659**	494,228	375,983
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**2.750%**	1.030%	0.740%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**0.001%**	0.001%	0.000%

The credit exposures above are derived based on Bank Negara Malaysia's revised guidelines on Credit Transaction and Exposure with Connected Parties, which is effective from 1 January 2008.

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