

UNITED OVERSEAS BANK (MALAYSIA) BHD
(Company No. 271809K)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 JUNE 2015

Domiciled in Malaysia
Registered Office:
Level 11, Menara UOB
Jalan Raja Laut,
50350 Kuala Lumpur

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Notes	Group		Bank	
		30-Jun-15 RM'000	31-Dec-14 RM'000	30-Jun-15 RM'000	31-Dec-14 RM'000
ASSETS					
Cash and short-term funds	11	14,234,745	10,833,347	14,234,745	10,833,347
Securities purchased under resale agreements		194,143	502,709	194,143	502,709
Deposits and placements with financial institutions	12	513,379	130,516	513,379	130,516
Financial assets at fair value through profit or loss ("FVTPL")	13	497,638	2,392,138	497,638	2,392,138
Available-for-sale ("AFS") securities	14	5,753,875	9,250,843	5,753,875	9,250,843
Loans and advances	15	68,175,233	66,926,375	68,360,609	67,115,580
Derivative financial assets	16	1,037,330	905,946	1,037,330	905,946
Other assets	17	598,363	636,466	602,767	637,640
Statutory deposits with Bank Negara Malaysia		2,212,460	1,960,350	2,212,460	1,960,350
Investment in subsidiaries		-	-	50	50
Investment in an associate		11,204	96,485	13,522	99,973
Property, plant and equipment		439,997	427,703	193,620	180,789
Tax recoverable		10,716	16,366	10,727	16,347
Total assets		93,679,083	94,079,244	93,624,865	94,026,228
LIABILITIES AND EQUITY					
Deposits from customers	18	74,233,827	73,056,720	74,236,924	73,058,978
Deposits and placements of banks and other financial institutions	19	8,212,824	8,825,269	8,212,854	8,825,299
Bills and acceptances payables		240,814	1,732,417	240,814	1,732,417
Derivative financial liabilities	16	738,799	619,755	738,799	619,755
Other liabilities	20	1,515,331	1,711,587	1,513,811	1,709,929
Deferred tax liabilities		15,067	9,679	10,597	5,209
Subordinated bonds	21	1,500,000	999,884	1,500,000	999,884
Total liabilities		86,456,662	86,955,311	86,453,799	86,951,471

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)

AS AT 30 JUNE 2015

		Group		Bank	
	Notes	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
		RM'000	RM'000	RM'000	RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		470,000	470,000	470,000	470,000
Reserves		6,752,421	6,653,933	6,701,066	6,604,757
Total equity		7,222,421	7,123,933	7,171,066	7,074,757
TOTAL LIABILITIES AND EQUITY		93,679,083	94,079,244	93,624,865	94,026,228
Commitments and contingencies	30	85,141,414	76,294,367	85,141,414	76,294,367

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

Group	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Operating revenue	22	1,237,682	1,148,166	2,461,994	2,278,765
Interest income	23	1,064,887	974,178	2,114,303	1,937,774
Interest expense	24	(612,429)	(532,532)	(1,181,559)	(1,090,703)
Net interest income		452,458	441,646	932,744	847,071
Other operating income	25	175,640	177,076	353,892	347,117
Operating income		628,098	618,722	1,286,636	1,194,188
Other operating expenses	26	(270,975)	(251,167)	(511,818)	(466,883)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and provision for commitments and contingencies		357,123	367,555	774,818	727,305
Allowance for impairment on loans and advances	27	(2,449)	(51,817)	(48,992)	(94,539)
Impairment loss on AFS securities		-	-	-	(9,725)
Writeback/(provision) for commitments and contingencies		(9,248)	2,890	(24,264)	(783)
		345,426	318,628	701,562	622,258
Share of net profit of an associate		590	6,051	1,171	73,214
Profit before taxation		346,016	324,679	702,733	695,472
Income tax expense		(84,319)	(78,485)	(167,330)	(152,851)
Profit for the period attributable to equity holders of the Bank		261,697	246,194	535,403	542,621
Basic Earnings per share (sen)		55.7	52.4	113.9	115.5

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE PERIOD ENDED 30 JUNE 2015

Bank	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Operating revenue	22	1,239,857	1,149,979	2,466,345	2,493,684
Interest income	23	1,067,075	975,983	2,118,733	1,941,305
Interest expense	24	(612,451)	(532,551)	(1,181,614)	(1,090,741)
Net interest income		454,624	443,432	937,119	850,564
Other operating income	25	175,627	177,082	353,814	558,503
Operating income		630,251	620,514	1,290,933	1,409,067
Other operating expenses	26	(274,025)	(253,834)	(517,174)	(471,321)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and provision for commitments and contingencies		356,226	366,680	773,759	937,746
Allowance for impairment on loans and advances	27	(2,449)	(51,817)	(48,992)	(94,539)
Impairment loss on AFS securities		-	-	-	(9,725)
Writeback/(provision) for commitments and contingencies		(9,248)	2,890	(24,264)	(783)
Profit before taxation		344,529	317,753	700,503	832,699
Income tax expense		(84,295)	(25,693)	(167,279)	(152,846)
Profit for the period attributable to equity holders of the Bank		260,234	292,060	533,224	679,853
Basic Earnings per share (sen)		55.4	62.1	113.5	144.6

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Profit for the period	261,697	246,194	535,403	542,621
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net gain on revaluation of AFS securities	2,561	115,811	21,553	118,339
Income tax effect	(743)	(29,585)	(5,388)	(29,585)
Other comprehensive income for the period, net of tax	1,818	86,226	16,165	88,754
Total comprehensive income for the period attributable to equity holders of the Bank	263,515	332,420	551,568	631,375

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)

FOR THE PERIOD ENDED 30 JUNE 2015

	Second Quarter		Six Months	
	Ended		Ended	
Bank	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
Profit for the period	260,234	292,060	533,224	679,853
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income/(loss)				
to be reclassified to profit or loss				
in subsequent periods:				
Net gain on revaluation of				
AFS securities	2,561	115,811	21,553	118,339
Income tax effect	(743)	(29,585)	(5,388)	(29,585)
Other comprehensive income				
for the period, net of tax	1,818	86,226	16,165	88,754
Total comprehensive income for the				
period attributable to equity				
holders of the Bank	262,052	378,286	549,389	768,607

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015**

GROUP	← Non-distributable				Distributable		Total
	Share capital	Share premium	Statutory reserve	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015							
Balance as at 1 January 2015	470,000	322,555	470,000	104,297	65,132	5,691,949	7,123,933
Profit for the period	-	-	-	-	-	535,403	535,403
Other comprehensive income	-	-	-	-	16,165	-	16,165
Total comprehensive income	-	-	-	-	16,165	535,403	551,568
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2014	-	-	-	-	-	(453,080)	(453,080)
Balance as at 30 June 2015	470,000	322,555	470,000	104,297	81,297	5,774,272	7,222,421

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)****FOR THE PERIOD ENDED 30 JUNE 2015**

GROUP (con'td.)	← Non-distributable				Distributable		Total
	Share capital	Share premium	Statutory reserve	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014							
Balance as at 1 January 2014	470,000	322,555	470,000	104,015	(5,274)	4,910,252	6,271,548
Profit for the period	-	-	-	-	-	542,621	542,621
Other comprehensive income	-	-	-	-	88,754	-	88,754
Total comprehensive income	-	-	-	-	88,754	542,621	631,375
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2013	-	-	-	-	-	(347,195)	(347,195)
Balance as at 30 June 2014	470,000	322,555	470,000	104,015	83,480	5,105,678	6,555,728

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015**

BANK	← Non-distributable			Net unrealised reserves on AFS securities	Distributable	
	Share capital	Share premium	Statutory reserve		Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015						
Balance as at 1 January 2015	470,000	322,555	470,000	58,230	5,753,972	7,074,757
Profit for the period	-	-	-	-	533,224	533,224
Other comprehensive income	-	-	-	16,165	-	16,165
Total comprehensive income	-	-	-	16,165	533,224	549,389
Transactions with owners:						
Dividends paid:						
- final dividend for the year ended 31 December 2014	-	-	-	-	(453,080)	(453,080)
Balance as at 30 June 2015	470,000	322,555	470,000	74,395	5,834,116	7,171,066

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)

FOR THE PERIOD ENDED 30 JUNE 2015

BANK (con'td.)	← Non-distributable			→	Distributable	
	Share capital	Share premium	Statutory reserve	Net unrealised reserves on AFS securities	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014						
Balance as at 1 January 2014	470,000	322,555	470,000	(5,274)	4,806,883	6,064,164
Profit for the period	-	-	-	-	679,853	679,853
Other comprehensive income	-	-	-	88,754	-	88,754
Total comprehensive income	-	-	-	88,754	679,853	768,607
Transactions with owners:						
Dividends paid:						
- final dividend for the year ended 31 December 2013	-	-	-	-	(347,195)	(347,195)
Balance as at 30 June 2014	470,000	322,555	470,000	83,480	5,139,541	6,485,576

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015

	Group		Bank	
	30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Profit before taxation	702,733	695,472	700,503	832,699
Adjustments for non-operating and non-cash items	(117,162)	73,504	(119,069)	(67,719)
Operating profit before working capital changes	585,571	768,976	581,434	764,980
Changes in working capital:				
Net changes in operating assets	562,966	(1,363,358)	563,564	(1,381,173)
Net changes in operating liabilities	(963,498)	603,920	(962,522)	603,084
Tax expense paid	(161,681)	(127,424)	(161,658)	(127,421)
Net cash generated from/(used in) operating activities	23,358	(117,886)	20,818	(140,530)
Net cash generated from/(used in) investing activities	3,713,867	(2,303,150)	3,716,407	(2,280,506)
Net cash generated from/(used in) financing activities	47,036	(347,039)	47,036	(347,039)
Net increase/(decrease) in cash and cash equivalents	3,784,261	(2,768,075)	3,784,261	(2,768,075)
Cash and cash equivalents at beginning of the period	10,963,863	17,906,938	10,963,863	17,906,938
Cash and cash equivalents at end of the period	14,748,124	15,138,863	14,748,124	15,138,863
Analysis of cash and cash equivalents				
Cash and short term funds	14,234,745	14,664,062	14,234,745	14,664,062
Deposits and placements with financial institutions	513,379	474,801	513,379	474,801
	14,748,124	15,138,863	14,748,124	15,138,863

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2014.

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EXPLANATORY NOTES

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2014. The explanatory notes attached to the condensed interim financial standards provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2014.

The significant accounting policies and method of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2014.

The Group and the Bank have not adopted the following MFRSs and Amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective:-

Effective for financial periods beginning on or after 1 January 2016

Annual Improvements to MFRSs 2012–2014 Cycle

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

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

MFRS 14: Regulatory Deferral Accounts

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

1. BASIS OF PREPARATION (con'td.)

Effective for financial periods beginning on or after 1 January 2017

MFRS 15: Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2018

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

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

MFRS 9 Financial Instruments

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

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

Except for MFRS 9, the initial application of all the above applicable MFRSs and the Amendments to MFRSs are not expected to have any material financial impact to the Group and the Bank upon their first adoption.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2014 was not subject to any qualification.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The business operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank for the period ended 30 June 2015.

5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Group and the Bank for the period ended 30 June 2015.

6. DEBT AND EQUITY SECURITIES

- i) On 30 March 2015, the Bank fully redeemed its RM500 million subordinated bonds.
- ii) On 8 May 2015, the Bank issued RM1.0 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years).

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that was brought forward from the previous audited financial statements for the financial year ended 31 December 2014.

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EXPLANATORY NOTES

8. DIVIDENDS

A final single tier dividend of 96.4% in respect of the financial year ended 31 December 2014, amounting to RM453,080,000 was paid on 27 April 2015.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited condensed interim financial statements.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the period ended 30 June 2015.

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Cash and balances with banks and other financial institutions	307,345	626,082
Money at call and deposit placements maturing within one month	13,927,400	10,207,265
	<u>14,234,745</u>	<u>10,833,347</u>

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Licensed banks	513,379	130,516
	<u>513,379</u>	<u>130,516</u>

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EXPLANATORY NOTES

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

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Held-for-trading securities		
At fair value:		
Bank Negara Malaysia bills	-	1,268,687
Malaysian Government treasury bills	47,510	197,589
Malaysian Government securities	155,816	149,418
Bankers' acceptances and Islamic accepted bills	-	165,960
Total held-for-trading securities	203,326	1,781,654
Designated as FVTPL, companies incorporated in Malaysia but denominated in United States Dollar		
Private debt securities	294,312	610,484
Total financial assets at FVTPL	497,638	2,392,138

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EXPLANATORY NOTES

14. AVAILABLE-FOR-SALE ("AFS") SECURITIES

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
At fair value		
Money market instruments:		
Bank Negara Malaysia bills	119,068	2,710,141
Malaysian Government treasury bills	488,723	434,475
Malaysian Government securities	2,678,117	3,096,267
Negotiable instruments of deposits	1,475,195	1,775,213
Cagamas bonds	725,171	843,612
	<u>5,486,274</u>	<u>8,859,708</u>
Private debt securities of companies incorporated		
In Malaysia:		
Quoted corporate bonds	193,924	317,490
Impairment loss	(39,960)	(39,960)
	<u>153,964</u>	<u>277,530</u>
Quoted securities:		
Shares of corporations outside Malaysia	24,106	22,145
Shares of corporations in Malaysia	4,207	6,136
	<u>28,313</u>	<u>28,281</u>
Unquoted securities:		
Shares	85,048	85,048
	<u>85,048</u>	<u>85,048</u>
At Cost:		
Unquoted securities:		
Private debt securities	276	276
	<u>276</u>	<u>276</u>
Total AFS securities	<u>5,753,875</u>	<u>9,250,843</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES**15. LOANS AND ADVANCES**

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,991,051	2,876,874	2,991,051	2,876,874
Term loans and revolving credits				
Housing loans	25,036,501	24,420,580	25,036,501	24,420,580
Syndicated term loans	468,017	468,363	468,017	468,363
Other term loans	31,157,369	30,531,156	31,342,745	30,720,361
Credit cards receivable	2,146,997	2,177,562	2,146,997	2,177,562
Bills receivable	1,035,248	1,184,560	1,035,248	1,184,560
Trust receipts	1,870,172	1,663,712	1,870,172	1,663,712
Claims on customers under acceptance credits	4,629,632	4,736,750	4,629,632	4,736,750
Staff loans	50,542	52,130	50,542	52,130
Others	4,451	5,249	4,451	5,249
	69,389,980	68,116,936	69,575,356	68,306,141
Unearned interest	(80,204)	(77,643)	(80,204)	(77,643)
Gross loans and advances	69,309,776	68,039,293	69,495,152	68,228,498
Allowance for losses on loans and advances				
- Individual impairment	(232,947)	(203,200)	(232,947)	(203,200)
- Collective impairment	(901,596)	(909,718)	(901,596)	(909,718)
Net loans and advances	68,175,233	66,926,375	68,360,609	67,115,580

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)****(i) Gross loans and advances by maturity structure:**

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	17,401,256	17,121,464	17,401,256	17,121,464
One year to three years	3,249,176	2,943,247	3,434,552	3,132,452
Three years to five years	4,256,827	4,629,488	4,256,827	4,629,488
Over five years	44,402,517	43,345,094	44,402,517	43,345,094
	69,309,776	68,039,293	69,495,152	68,228,498

(ii) Gross loans and advances by type of customer:

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions				
- Stockbroking companies	4,919	19	4,919	19
- Others	100,993	198,139	100,993	198,139
Domestic business enterprises				
- Small medium enterprises	14,594,960	14,677,009	14,594,960	14,677,009
- Others	14,284,836	13,892,974	14,470,212	14,082,179
Individuals	33,694,420	32,670,387	33,694,420	32,670,387
Foreign entities	6,629,648	6,600,765	6,629,648	6,600,765
	69,309,776	68,039,293	69,495,152	68,228,498

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EXPLANATORY NOTES

15. LOANS AND ADVANCES (con'td.)

(iii) **Gross loans and advances by interest rate sensitivity:**

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans	34,604	36,255	34,604	36,255
- Other fixed rate loans	3,260,161	3,388,421	3,260,161	3,388,421
Variable rate				
- Base rate/base				
lending rate-plus	62,492,161	61,161,465	62,492,161	61,161,465
- Cost-plus	3,522,850	3,453,152	3,708,226	3,642,357
	69,309,776	68,039,293	69,495,152	68,228,498

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)****(iv) Gross loans and advances by economic sector:**

	Group		Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000	30-Jun-15 RM'000	31-Dec-14 RM'000
Agriculture, hunting, forestry and fishing	968,203	990,014	968,203	990,014
Mining and quarrying	889,365	1,106,982	889,365	1,106,982
Manufacturing	5,647,405	5,803,480	5,647,405	5,803,480
Electricity, gas and water	36,272	27,273	36,272	27,273
Construction	7,222,550	6,273,493	7,222,550	6,273,493
Wholesale, retail trade, restaurants and hotels	9,073,400	8,413,457	9,073,400	8,413,457
Transport, storage and communication	1,071,972	1,015,091	1,071,972	1,015,091
Finance, insurance and business services	2,070,200	2,259,595	2,070,200	2,259,595
Real estate	3,472,404	4,381,508	3,657,780	4,570,713
Community, social and personal services	154,230	225,289	154,230	225,289
Households:	38,703,775	37,543,111	38,703,775	37,543,111
- purchase of residential properties	25,853,609	25,205,007	25,853,609	25,205,007
- purchase of non residential properties	8,056,943	7,487,772	8,056,943	7,487,772
- others	4,793,223	4,850,332	4,793,223	4,850,332
	69,309,776	68,039,293	69,495,152	68,228,498

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)****(v) Movements in impaired loans and advances are as follows:**

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January	1,069,069	1,073,975	1,069,069	1,073,975
Classified as impaired during the period/year	470,951	707,098	470,951	707,098
Amount recovered	(154,353)	(360,100)	(154,353)	(360,100)
Reclassified as non-impaired	(128,539)	(168,008)	(128,539)	(168,008)
Amount written off	(40,528)	(183,896)	(40,528)	(183,896)
Balance as at 30 June/31 December	1,216,600	1,069,069	1,216,600	1,069,069
Individual impairment	(232,947)	(203,200)	(232,947)	(203,200)
Net impaired loans and advances	983,653	865,869	983,653	865,869
Ratio of net impaired loans and advances to net loans and advances	1.4%	1.3%	1.4%	1.3%

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

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
<u>Collective Impairment</u>		
Balance as at 1 January	909,718	727,504
(Writeback)/allowance made during the period/year	(8,122)	182,214
Balance as at 30 June/31 December	901,596	909,718

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EXPLANATORY NOTES

15. LOANS AND ADVANCES (con'td.)

- (vi) **Movements in allowance for losses on loans and advances are as follows (con'td.):**

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
<u>Individual Impairment</u>		
Balance as at 1 January	203,200	274,857
Allowance made during the period/year	156,679	217,620
Amount written back in respect of recoveries	(79,074)	(110,584)
Amount written off	(43,256)	(180,527)
Interest recognised on impaired loans	(1,540)	4,254
Other adjustment/transferred to debt restructuring	(3,062)	(2,420)
Balance as at 30 June/31 December	<u>232,947</u>	<u>203,200</u>

- (vii) **Impaired loans and advances analysed by economic sectors are as follows:**

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Mining and quarrying	409	-
Manufacturing	235,678	240,290
Construction	198,836	214,039
Wholesale, retail trade, restaurants and hotels	150,678	123,950
Transport, storage and communication	97,793	4,245
Finance, insurance and business services	14,459	15,447
Real estate	18,112	15,611
Community, social and personal services	920	960
Households:	499,715	454,527
- purchase of residential properties	366,031	341,406
- purchase of non residential properties	49,380	43,532
- others	84,304	69,589
	<u>1,216,600</u>	<u>1,069,069</u>

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15. LOANS AND ADVANCES (con'td.)

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

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
In Malaysia	1,216,600	1,069,069

16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES)

Financial derivatives are instruments whose values change in response to the change in one or more “underlying”, such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

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16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (con'td.)

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 June 2015			
Foreign exchange contracts			
- forwards	11,833,906	379,810	60,372
- swaps	16,285,889	477,958	411,487
- options	1,177,781	8,881	4,116
Interest rate related contracts			
- swaps	20,899,444	102,779	192,621
Equity related contracts			
- swaps	1,208,175	23,971	23,668
- options	670,346	472	472
Commodity related contracts			
- swaps	723,144	43,120	45,452
- future	52,694	339	611
	<u>1,037,330</u>	<u>738,799</u>	

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EXPLANATORY NOTES**16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (con'td.)**

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2014			
Foreign exchange contracts			
- forwards	7,606,031	384,794	88,363
- swaps	18,621,080	256,385	231,823
- options	2,185,324	18,177	7,817
Interest rate related contracts			
- swaps	20,842,832	102,400	148,029
Equity related contracts			
- swaps	1,001,139	20,700	20,185
- options	597,337	7,997	7,997
Commodity related contracts			
- swaps	665,815	96,893	99,635
- future	174,977	18,600	15,906
	<u>905,946</u>	<u>905,946</u>	<u>619,755</u>

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

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EXPLANATORY NOTES**17. OTHER ASSETS**

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	200,626	124,411	205,030	125,585
Accrued interest receivable	98,224	93,727	98,224	93,727
Precious metal accounts	299,513	418,328	299,513	418,328
	598,363	636,466	602,767	637,640

18. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Demand deposits	18,496,269	18,181,422	18,498,230	18,182,559
Savings deposits	1,293,150	1,239,583	1,293,150	1,239,583
Fixed deposits	46,863,310	44,735,404	46,864,446	44,736,525
Negotiable instruments of deposits	2,575	16,164	2,575	16,164
Others	7,578,523	8,884,147	7,578,523	8,884,147
	74,233,827	73,056,720	74,236,924	73,058,978

- (i) **The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:**

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Due within six months	33,937,090	31,434,374	33,938,226	31,435,495
Six months to one year	12,678,762	13,055,441	12,678,762	13,055,441
One year to three years	145,774	152,735	145,774	152,735
Three years to five years	104,259	109,018	104,259	109,018
	46,865,885	44,751,568	46,867,021	44,752,689

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EXPLANATORY NOTES

18. DEPOSITS FROM CUSTOMERS (con'td.)

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

	Group		Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000	30-Jun-15 RM'000	31-Dec-14 RM'000
Business enterprises				
- Subsidiaries	-	-	3,097	2,258
- Others	29,538,708	30,482,982	29,538,708	30,482,982
Individuals	39,425,332	37,077,155	39,425,332	37,077,155
Others	5,269,787	5,496,583	5,269,787	5,496,583
	74,233,827	73,056,720	74,236,924	73,058,978

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000	30-Jun-15 RM'000	31-Dec-14 RM'000
Licensed banks in Malaysia	1,114,143	171,010	1,114,143	171,010
Bank Negara Malaysia	1,685,919	1,729,771	1,685,919	1,729,771
Other financial institutions	5,412,762	6,924,488	5,412,792	6,924,518
	8,212,824	8,825,269	8,212,854	8,825,299

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EXPLANATORY NOTES**20. OTHER LIABILITIES**

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies	25,905	1,642	25,905	1,642
Accrued interest payable	567,879	435,832	566,979	434,882
Accruals and provisions for operational expenses	126,218	161,909	125,787	161,305
Amount due to subsidiaries	-	-	28	47
Other accruals and provisions	542,483	841,747	542,266	841,596
Deferred income	252,846	270,457	252,846	270,457
	1,515,331	1,711,587	1,513,811	1,709,929

21. SUBORDINATED BONDS

	Group and Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
RM500 million Subordinated Bonds 2010/2020, at par (Note (a))	-	500,000
RM500 million Subordinated Bonds 2013/2023, at par (Note (b))	500,000	500,000
RM1.0 billion Subordinated Bonds 2015/2025, at par (Note (c))	1,000,000	-
Unamortised expenses relating to issue of Subordinated Bonds	-	(116)
	1,500,000	999,884

- (a) On 29 March 2010, the Bank issued RM500 million 10 years Subordinated Bonds due in 2020 callable with step-up in 2015 ("the Bonds 1").

The Bonds 1 bear interest at the rate of 4.88% per annum from 29 March 2010 to 29 March 2015 and thereafter, at the rate of 5.88% per annum from 30 March 2015 to the date of early redemption in full of such Bonds 1 or maturity date of the Bonds (whichever is earlier).

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

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

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EXPLANATORY NOTES

21. SUBORDINATED BONDS (cont'd.)

- (a) The Bonds 1 have been rated AA1 by Rating Agency Malaysia Bhd and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

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

- (b) On 30 August 2013, the Bank issued RM500 million Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) ("the Bonds 2").

The Bonds 2 bear interest at the rate of 4.55% per annum from 30 August 2013 to 30 August 2018 and thereafter, the rate of interest will be reset to a fixed rate per annum equal to the Initial Spread (1.05%) plus the prevailing 5 years Malaysian Government Securities Rate.

The Bonds 2 may be redeemed at par at the option of the Bank, in whole but not in part, on 30 August 2018 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 28 February and 30 August each year commencing 28 February 2014.

The Bonds 2 qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

- (c) On 8 May 2015, the Bank issued RM1.0 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) ("the Bonds 3").

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

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

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

The Bonds 3 have been rated AA1 by Rating Agency Malaysia Bhd and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

22. OPERATING REVENUE

Operating revenue of the Group and the Bank comprise interest income, commission income, trading and investment income/(loss) and other income derived from banking operations.

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EXPLANATORY NOTES**23. INTEREST INCOME**

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
Interest income from loans and advances	885,840	784,696	1,742,429	1,543,899
Interest income from impaired loans and advances	15,834	17,651	44,388	35,574
Money at call and deposit placements with financial institutions	97,850	112,038	169,806	258,210
Financial assets at FVTPL	6,641	7,947	21,129	13,774
AFS securities	62,067	58,573	144,597	96,047
	1,068,232	980,905	2,122,349	1,947,504
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(197)	(266)	(328)	(365)
- AFS securities	(3,148)	(6,461)	(7,718)	(9,365)
	1,064,887	974,178	2,114,303	1,937,774
Bank				
Interest income from loans and advances	888,028	786,501	1,746,859	1,547,430
Interest income from impaired loans and advances	15,834	17,651	44,388	35,574
Money at call and deposit placements with financial institutions	97,850	112,038	169,806	258,210
Financial assets at FVTPL	6,641	7,947	21,129	13,774
AFS securities	62,067	58,573	144,597	96,047
	1,070,420	982,710	2,126,779	1,951,035
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(197)	(266)	(328)	(365)
- AFS securities	(3,148)	(6,461)	(7,718)	(9,365)
	1,067,075	975,983	2,118,733	1,941,305

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EXPLANATORY NOTES

24. INTEREST EXPENSE

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	580,462	469,046	1,119,900	951,339
Deposits and placements of banks and other financial institutions	19,092	29,070	33,909	72,078
Subordinated bonds	12,551	11,798	24,160	23,538
Others	324	22,618	3,590	43,748
	612,429	532,532	1,181,559	1,090,703
Bank				
Deposits from customers	580,484	469,065	1,119,955	951,377
Deposits and placements of banks and other financial institutions	19,092	29,070	33,909	72,078
Subordinated bonds	12,551	11,798	24,160	23,538
Others	324	22,618	3,590	43,748
	612,451	532,551	1,181,614	1,090,741

25. OTHER OPERATING INCOME

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
Fee income				
Commission	55,757	62,160	110,747	111,467
Guarantee fees	19,597	14,871	38,540	27,716
Service charges and fees	48,343	41,648	100,396	97,333
Commitment fees	8,136	7,432	15,383	15,002
Arrangement and participation fees	-	1,117	70	3,743
	131,833	127,228	265,136	255,261

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EXPLANATORY NOTES

25. OTHER OPERATING INCOME (con'td.)

Group (con'td.)	Second Quarter Ended		Six Months Ended	
	30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	255	614	4,381	806
Gain/(loss) from trading derivatives	4,928	10,543	4,375	5,338
Unrealised loss from trading derivatives	(11,179)	(3,282)	(13,074)	(7,064)
(Loss)/gain from sale of precious metal	229	118	(736)	550
Unrealised gain from sale of precious metal	81	-	720	-
Gain from sale/recovery of AFS securities	4,208	105	6,527	635
Unrealised loss on financial assets at FVTPL	(1,476)	(2,708)	(913)	(2,844)
Gross dividends from:				
- AFS securities unquoted in Malaysia	527	-	556	521
	(2,427)	5,390	1,836	(2,058)
<u>Other income</u>				
Foreign exchange gain	43,260	41,345	80,464	87,721
Rental income from operating leases, other than those from investment properties	130	26	254	68
Gain/(loss) on disposal of property, plant and equipment	(3)	11	92	(145)
Others	2,847	3,076	6,110	6,270
	46,234	44,458	86,920	93,914
	175,640	177,076	353,892	347,117

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EXPLANATORY NOTES**25. OTHER OPERATING INCOME (con'td.)**

Bank	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	55,757	62,160	110,747	111,467
Guarantee fees	19,597	14,871	38,540	27,716
Service charges and fees	48,437	41,679	100,525	97,393
Commitment fees	8,138	7,433	15,388	15,006
Arrangement and participation fees	-	1,117	70	3,743
	131,929	127,260	265,270	255,325
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	255	614	4,381	806
Gain/(loss) from trading derivatives	4,928	10,543	4,375	5,338
Unrealised loss from trading derivatives	(11,179)	(3,282)	(13,074)	(7,064)
(Loss)/gain from sale of precious metal	229	118	(736)	550
Unrealised gain from sale of precious metal	81	-	720	-
Gain from sale/recovery of AFS securities	4,208	105	6,527	635
Unrealised loss on financial assets at FVTPL	(1,476)	(2,708)	(913)	(2,844)
Gross dividends from:				
- AFS securities unquoted in Malaysia	527	-	556	521
- subsidiaries	-	-	-	230
- an associate	-	-	-	211,141
	(2,427)	5,390	1,836	209,313

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25. OTHER OPERATING INCOME (con'td.)

	Second Quarter		Six Months	
	Ended		Ended	
Bank (con'td.)	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
<u>Other income</u>				
Foreign exchange gain	43,260	41,345	80,464	87,721
Rental income from operating leases, other than those from investment properties	21	-	42	19
Gain/(loss) on disposal of property, plant and equipment	(3)	11	92	(145)
Others	2,847	3,076	6,110	6,270
	46,125	44,432	86,708	93,865
	175,627	177,082	353,814	558,503

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26. OTHER OPERATING EXPENSES

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Personnel expenses	180,458	157,429	343,515	303,193
Establishment related expenses	56,663	43,937	98,548	75,137
Promotion and marketing related expenses	9,565	16,190	21,200	26,864
General administrative expenses	24,289	33,611	48,555	61,689
	270,975	251,167	511,818	466,883
<u>Personnel expenses</u>				
Wages,salaries and bonus	144,025	122,287	273,290	238,561
Defined contribution plan	22,275	18,965	41,469	37,025
Other employee benefits	14,158	16,177	28,756	27,607
	180,458	157,429	343,515	303,193
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	11,610	8,652	22,864	17,116
Hire of equipment	9	15	22	26
Information technology costs	15,890	7,904	26,854	13,354
Repair and maintenance	3,318	5,215	7,754	8,751
Rental of premises	3,291	3,255	6,583	6,587
Others	22,545	18,896	34,471	29,303
	56,663	43,937	98,548	75,137
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	9,565	16,190	21,200	26,864
<u>General administrative expenses</u>				
Fees and commissions paid	9,830	11,621	18,790	23,032
Others	14,459	21,990	29,765	38,657
	24,289	33,611	48,555	61,689

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EXPLANATORY NOTES**26. OTHER OPERATING EXPENSES (con'td.)**

Bank	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	179,524	156,561	341,695	301,528
Establishment related expenses	60,708	47,488	105,810	81,317
Promotion and marketing related expenses	9,557	16,173	21,175	26,835
General administrative expenses	24,236	33,612	48,494	61,641
	274,025	253,834	517,174	471,321
<u>Personnel expenses</u>				
Wages, salaries and bonus	143,225	121,529	271,724	237,096
Defined contribution plan	22,154	18,855	41,238	36,813
Other employee benefits	14,145	16,177	28,733	27,619
	179,524	156,561	341,695	301,528
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	10,072	7,116	19,788	14,052
Hire of equipment	9	15	22	26
Information technology costs	15,890	7,904	26,854	13,354
Repair and maintenance	3,205	5,033	7,517	8,418
Rental of premises	7,689	7,557	15,379	14,920
Others	23,843	19,863	36,250	30,547
	60,708	47,488	105,810	81,317
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	9,557	16,173	21,175	26,835
<u>General administrative expenses</u>				
Fees and commissions paid	9,791	11,628	18,751	22,998
Others	14,445	21,984	29,743	38,643
	24,236	33,612	48,494	61,641

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EXPLANATORY NOTES**27. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Allowance for impaired loans and advances				
(a) Individual impairment				
- made in the period	77,527	47,779	156,679	95,311
- written back in the period	(44,251)	(23,045)	(79,074)	(46,355)
(b) Collective impairment				
- (written back)/made in the period	(19,126)	36,339	(8,122)	66,107
Impaired loans and advances				
- written off/(back)	(266)	981	793	2,687
- recovered	(11,435)	(10,237)	(21,284)	(23,211)
	2,449	51,817	48,992	94,539
Bank				
Allowance for impaired loans and advances				
(a) Individual impairment				
- made in the period	77,527	47,779	156,679	95,311
- written back in the period	(44,251)	(23,045)	(79,074)	(46,355)
(b) Collective impairment				
- (written back)/made in the period	(19,126)	36,339	(8,122)	66,107
Impaired loans and advances				
- written off/(back)	(266)	981	793	2,687
- recovered	(11,435)	(10,237)	(21,284)	(23,211)
	2,449	51,817	48,992	94,539

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EXPLANATORY NOTES

28. SEGMENT INFORMATION

Operating Segments

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

Retail

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

Wholesale Banking (WB)

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group ("FIG") 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 deposits, lending, asset finance, ship finance, trade finance, structured finance, cash management and cross-border payments. Debt Capital Markets specialises in solution-based structures to meet clients' financing requirements in structuring, underwriting and arranging syndicated loans for general corporate needs, leveraged buy-outs, project and structured finance, and underwriting and lead managing bond issues.

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28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Global Markets (GM)

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

Others

The other segments includes property-related activities and income and expenses not attributable to other operating segments. It also includes equity, which being the source of fund for the Bank, will receive the corresponding funds credit or income to reflect its economic contribution.

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28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 June 2015							
Operating income	603,909	463,100	66,706	165,761	1,299,476	(12,840)	1,286,636
Other operating expenses	(344,370)	(94,817)	(20,236)	(63,941)	(523,364)	11,546	(511,818)
Allowance for impairment on loans and advances	(32,879)	(16,143)	-	30	(48,992)	-	(48,992)
Provision for commitments and contingencies	20	(24,284)	-	-	(24,264)	-	(24,264)
Share of net profit of an associate	-	-	-	1,171	1,171	-	1,171
Profit before taxation	226,680	327,856	46,470	103,021	704,027	(1,294)	702,733
Income tax expense							(167,330)
							<u>535,403</u>

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 June 2015							
Other information							
Inter-segment operating income	(25,067)	157,925	(299,757)	179,739	12,840	(12,840)	-
Depreciation of property, plant and equipment	3,493	528	966	17,910	22,897	(33)	22,864

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EXPLANATORY NOTES**28. SEGMENT INFORMATION (cont'd.)****Operating segments (cont'd.)**

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 June 2014							
Operating income	590,387	396,610	73,150	356,856	1,417,003	(222,815)	1,194,188
Other operating expenses	(316,170)	(84,611)	(20,314)	(56,303)	(477,398)	10,515	(466,883)
Allowance for impairment on loans and advances	(22,125)	(72,414)	-	-	(94,539)	-	(94,539)
Impairment loss on AFS securities	-	-	(9,725)	-	(9,725)	-	(9,725)
Provision for commitments and contingencies	(143)	(640)	-	-	(783)	-	(783)
Share of net profit of an associate	-	-	-	73,214	73,214	-	73,214
Profit before taxation	251,949	238,945	43,111	373,767	907,772	(212,300)	695,472
Income tax expense							(152,851)
							<u>542,621</u>

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 June 2014							
Other information							
Inter-segment operating income	(55,727)	136,317	(267,791)	410,016	222,815	(222,815)	-
Depreciation of property, plant and equipment	2,793	318	657	13,382	17,150	(34)	17,116

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
As at 30 June 2015							
Segment assets							
Gross loans	45,025,107	24,103,359	-	366,686	69,495,152	(185,376)	69,309,776
Unallocated assets							24,369,307
Total assets							<u>93,679,083</u>
Segment liabilities							
Deposits from customers	47,124,807	26,284,923	725,293	101,901	74,236,924	(3,097)	74,233,827
Unallocated liabilities							12,222,835
Total liabilities							<u>86,456,662</u>

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
As at 31 December 2014							
Segment assets							
Gross loans	43,914,268	23,936,360	-	377,870	68,228,498	(189,205)	68,039,293
Unallocated assets							26,039,951
Total assets							<u>94,079,244</u>
Segment liabilities							
Deposits from customers	44,261,591	27,983,199	719,256	94,932	73,058,978	(2,258)	73,056,720
Unallocated liabilities							13,898,591
Total liabilities							<u>86,955,311</u>

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EXPLANATORY NOTES**29. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY**

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is effective from 1 January 2013 and Basel II – Risk-weighted Assets framework.

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits - audited	5,238,869	5,691,949	5,300,892	5,753,972
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	193,744	184,481	74,395	58,230
Regulatory adjustments applied in the calculation of CET1 Capital	(182,794)	(201,767)	(64,551)	(76,539)
Total CET1/Tier 1 Capital	6,512,374	6,937,218	6,573,291	6,998,218
<u>Tier 2 Capital</u>				
Tier 2 capital instruments	1,500,000	900,000	1,500,000	900,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	224,846	222,867	224,846	222,867
- Collective impairment provisions	19,049	58,999	16,024	53,678
Regulatory adjustments applied in the calculation of Tier 2 Capital	46,913	(24,091)	(8,143)	(80,019)
Total Tier 2 Capital	1,790,808	1,157,775	1,732,727	1,096,526
Total capital	8,303,182	8,094,993	8,306,018	8,094,744

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EXPLANATORY NOTES**29. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (con'td.)**

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

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
CET1/Tier 1 Capital	14.671%	15.461%	14.890%	15.684%
Total Capital	18.706%	18.042%	18.814%	18.141%

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

	Group		Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000	30-Jun-15 RM'000	31-Dec-14 RM'000
Total RWA for credit risk	38,998,283	39,720,571	38,756,310	39,473,651
Total RWA for market risk	893,513	803,362	893,513	803,362
Total RWA for operational risk	4,497,189	4,344,262	4,497,189	4,344,262
	44,388,985	44,868,195	44,147,012	44,621,275

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EXPLANATORY NOTES

30. COMMITMENTS AND CONTINGENCIES

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

	Group and Bank		Risk weighted amount RM'000
	Principal amount RM'000	Credit equivalent amount RM'000	
As at 30 June 2015			
Direct credit substitutes	2,544,060	2,544,060	1,730,409
Transaction-related contingent items	4,419,865	2,188,049	1,441,031
Short-term self-liquidating trade-related contingencies	450,668	101,513	59,236
Foreign exchange related contracts			
- less than one year	35,370,476	1,229,881	421,330
- more than one year to less than five years	516,858	58,344	51,961
Interest rate related contracts			
- less than one year	4,699,323	26,378	14,096
- more than one year to less than five years	14,461,194	464,465	251,365
- five years and above	790,734	50,746	33,655
Equity related contracts			
- less than one year	588,988	50,691	19,494
- more than one year to less than five years	464,810	47,411	24,954
Commodity related contracts			
- less than one year	723,144	115,434	51,083
Undrawn credit facility			
- less than one year	10,220,146	643,374	152,452
- more than one year	1,965,746	152,879	127,869
- unconditionally cancellable	7,925,402	2,222,251	254,523
Total	85,141,414	9,895,476	4,633,458

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30. COMMITMENTS AND CONTINGENCIES (con'td.)

As at 31 December 2014	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,284,617	2,284,617	1,596,309
Transaction-related contingent items	4,308,410	2,131,960	1,432,231
Short-term self-liquidating trade-related contingencies	303,122	72,428	35,560
Foreign exchange related contracts			
- less than one year	27,635,265	765,392	262,353
- more than one year to less than five years	590,647	82,900	80,721
Interest rate related contracts			
- less than one year	5,264,883	17,116	9,336
- more than one year to less than five years	14,578,461	466,895	258,472
- five years and above	163,980	13,283	10,154
Equity related contracts			
- less than one year	657,720	47,313	19,670
- more than one year to less than five years	440,187	26,634	14,775
Commodity related contracts			
- less than one year	665,815	163,475	127,569
Undrawn credit facility			
- less than one year	10,082,012	753,635	160,193
- more than one year	1,792,002	209,253	170,685
- unconditionally cancellable	7,527,246	2,183,862	253,069
Total	76,294,367	9,218,763	4,431,097

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

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

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EXPLANATORY NOTES

31. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Bank	
	30-Jun-15	31-Dec-14
Outstanding credit exposures with connected parties (RM'000)	650,513	432,783
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.936%	0.630%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.002%	0.000%

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

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32. PERFORMANCE REVIEW

The Group recorded a pre-tax profit of RM702.7 million for the half year ended 30 Jun 2015, an increase of RM7.3 million over the corresponding period last year. The better performance was mainly on the back of higher total income, lower allowance for impairment on loans and advances and lower impairment loss on AFS securities; but moderated by higher other operating expenses, higher provision for commitments and contingencies and lower share of net profit of associates.

Total income increased by 7.7% or RM92.4 million, contributed by higher net interest income and other operating income. Net interest income rose by 10.1% or RM85.7 million to RM932.7 million led by loans growth, improved margins and higher interest income from available-for-sales securities. Other operating income grew by 2.0% or RM6.8 million to RM353.9 million mainly from higher fee income and higher trading and investment income, partly offset by lower gains in foreign exchange.

Total operating expenses increased by 9.6% or RM44.9 million to RM511.8 million, largely due to higher personnel expenses as well as establishment related expenses as we continued investing in our people and IT infrastructure. Expense-to-income ratio stood at 39.8%.

Allowance for impairment on loans and advances decreased by RM45.5 million to RM49.0 million mainly contributed by write-back in collective impairment, partly offset by higher individual impairment of RM28.7 million. Higher provision for commitments and contingencies was partly offset by non-repeat of impairment on available-for-sales securities. Asset quality remained sound with net non-performing loans ratio at 1.4%.

As at 30 June 2015, gross loans grew by 1.9% or RM1.3 billion to RM69.3 billion while customer deposits increased by 1.6% or RM1.2 billion to RM74.2 billion.

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EXPLANATORY NOTES

33. PROSPECTS FOR 2015

Entering into the second half of 2015, the global economy is expected to continue on a gradual path of recovery. Although risks linger for Greece and the Eurozone, the US economy continues to show improvements, China is moderating to a pace of new normal that is expected to be more sustainable, and recent data points to better growth prospects in Japan.

For Malaysia, domestic demand remains a key growth driver albeit temporarily slower given the implementation of Goods and Service Tax (GST), slower fiscal spending and weaker sentiment on the ground. Nevertheless sustained investment momentum backed by ongoing Economic Transformation Programme (ETP) projects and foreign direct investment flows will help to buoy overall demand. All key economic sectors are expected to record expansions particularly mining amid the surge in crude oil output as production capacity increases at new oil fields. Malaysia's fundamental strengths, diversified economic base coupled with positive demographics will provide a stable buffer and positions the country positively as a key beneficiary from the expected recovery in global demand.

Despite the challenging economic outlook, the Group will remain focused on building the core franchise for the long-term. We will stay vigilant, nimble and continue to invest in capabilities to serve customers' evolving needs.

The Group is expected to achieve a satisfactory set of result in 2015.