

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 JUNE 2012

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF FINANCIAL POSITION****AS AT 30 JUNE 2012**

	Notes	Group			Bank		
		30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
		RM'000	(Restated) RM'000	(Restated) RM'000	RM'000	(Restated) RM'000	(Restated) RM'000
ASSETS							
Cash and Short-Term funds	11	8,597,729	13,863,225	9,270,889	8,597,729	13,863,225	9,270,889
Securities purchased under Resale Agreements		-	-	149,973	-	-	149,973
Deposits and Placements with Financial Institutions	12	351,724	11,686	10,889	351,724	11,686	10,889
Financial assets at fair value through profit and loss	13	3,864,150	2,474,507	2,275,075	3,864,150	2,474,507	2,275,075
Available-for-Sale Securities	14	9,480,638	2,825,137	3,517,612	9,480,638	2,825,137	3,517,612
Loans, Advances and Financing	15	51,853,761	46,980,894	34,583,171	52,049,677	47,164,745	34,763,386
Derivatives Financial Assets	16	274,207	256,860	244,248	274,207	256,860	244,248
Other Assets	17	500,521	474,396	212,152	504,412	478,413	216,460
Statutory Deposits with Bank Negara Malaysia		1,595,200	1,363,000	22,800	1,595,200	1,363,000	22,800
Investment in Subsidiaries		-	-	-	50	50	50
Investment in Associates		229,037	206,343	189,234	122,733	122,733	122,733
Investment Properties	18	8,190	8,280	8,460	-	-	-
Property, Plant and Equipment		274,404	252,585	226,240	130,559	119,013	106,272
Prepaid Land Lease payments	19	39,344	39,674	40,270	-	-	-
Deferred Tax Assets		288,790	290,595	148,576	288,850	290,655	148,602
Total assets		77,357,695	69,047,182	50,899,589	77,259,929	68,970,024	50,848,989
LIABILITIES AND EQUITY							
Deposits from Customers	20	60,719,964	52,643,082	38,964,836	60,735,378	52,655,065	38,979,301
Deposits and Placements of Banks and Other Financial Institutions	21	6,478,220	6,528,773	3,903,054	6,478,647	6,529,200	3,903,480
Bills and Acceptances Payable		2,798,456	2,843,787	2,279,218	2,798,456	2,843,787	2,279,218
Amount due to Cagamas		-	-	33,344	-	-	33,344
Derivatives Financial Liabilities	16	281,996	347,948	337,928	281,996	347,948	337,928
Other Liabilities	22	1,359,855	1,148,878	528,234	1,358,248	1,147,084	527,363
Tax payable		136,565	171,092	112,169	136,552	171,068	112,169
Subordinated Bonds	23	499,076	498,902	498,628	499,076	498,902	498,628
Total liabilities		72,274,132	64,182,462	46,657,411	72,288,353	64,193,054	46,671,431
Share Capital		470,000	470,000	470,000	470,000	470,000	470,000
Reserves		4,613,563	4,394,720	3,772,178	4,501,576	4,306,970	3,707,558
Shareholders' equity		5,083,563	4,864,720	4,242,178	4,971,576	4,776,970	4,177,558
TOTAL LIABILITIES AND EQUITY		77,357,695	69,047,182	50,899,589	77,259,929	68,970,024	50,848,989
COMMITMENTS AND CONTINGENCIES	31	49,372,501	47,361,699	47,791,176	49,372,501	47,361,699	47,791,176

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012**

Group	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-12 RM'000	30-Jun-11 (Restated) RM'000	30-Jun-12 RM'000	30-Jun-11 (Restated) RM'000
Operating Revenue	24	980,695	752,792	1,891,868	1,442,021
Interest Income	25	806,786	608,861	1,567,056	1,172,747
Interest Expense	26	(442,656)	(285,370)	(855,267)	(546,751)
Net Interest Income		364,130	323,491	711,789	625,996
Other Operating Income	27	178,093	143,572	333,626	278,204
Operating Income		542,223	467,063	1,045,415	904,200
Other Operating Expenses	28	(175,438)	(183,046)	(340,104)	(334,601)
Operating Profit before allowance for Impairment on Loans, Advances and Financing and provision for Commitments and Contingencies		366,785	284,017	705,311	569,599
(Allowance for) / reversal of impairment on Loans, Advances and Financing	29	(20,284)	23,971	(110,220)	(19,438)
Net (provision) / write back for commitments and Contingencies		(594)	(9)	4,466	47
		345,907	307,979	599,557	550,208
Share of net profit of associates		18,788	14,427	23,945	16,965
Profit before Taxation		364,695	322,406	623,502	567,173
Income Tax expense		(71,808)	(82,605)	(145,700)	(155,736)
Profit after Taxation		292,887	239,801	477,802	411,437
Basic earnings per share (sen)		62.3	51.0	101.7	87.5

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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

Group	Second Quarter		Six Months	
	Ended	Ended	Ended	Ended
	30-Jun-12	30-Jun-11 (Restated)	30-Jun-12	30-Jun-11 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit for the period	292,887	239,801	477,802	411,437
Other Comprehensive Income:				
Net gain/(loss) on Revaluation of Available-for-Sale Securities	10,467	6,193	7,221	(11,387)
Income tax relating to components of other comprehensive income	(2,617)	-	(1,805)	-
Total Comprehensive Income for the period	300,737	245,994	483,218	400,050

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INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS****FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012**

Bank	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-12 RM'000	30-Jun-11 (Restated) RM'000	30-Jun-12 RM'000	30-Jun-11 (Restated) RM'000
Operating Revenue	24	982,367	758,194	1,896,775	1,448,865
Interest Income	25	808,549	610,439	1,570,528	1,175,822
Interest Expense	26	(442,662)	(285,376)	(855,280)	(546,762)
Net Interest Income		365,887	325,063	715,248	629,060
Other Operating Income	27	178,001	147,396	335,020	281,973
Operating Income		543,888	472,459	1,050,268	911,033
Other Operating Expenses	28	(178,211)	(186,068)	(344,855)	(338,616)
Operating Profit before allowance for Impairment on Loans, Advances and Financing and provision for Commitments and Contingencies		365,677	286,391	705,413	572,417
(Allowance for) / reversal of impairment on Loans, Advances and Financing	29	(20,284)	23,971	(110,220)	(19,438)
Net (provision) / write back for commitments and Contingencies		(594)	(9)	4,466	47
Profit before Taxation		344,799	310,353	599,659	553,026
Income Tax expense		(71,798)	(83,619)	(146,094)	(156,750)
Profit after Taxation		273,001	226,734	453,565	396,276
Basic earnings per share (sen)		58.1	48.2	96.5	84.3

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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

	Second Quarter		Six Months	
	Ended	Ended	Ended	Ended
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
		(Restated)		(Restated)
Bank	RM'000	RM'000	RM'000	RM'000
Profit for the period	273,001	226,734	453,565	396,276
Other Comprehensive Income:				
Net gain/(loss) on Revaluation of Available-for-Sale Securities	10,467	6,193	7,221	(11,387)
Income tax relating to components of other comprehensive income	(2,617)	-	(1,805)	-
Total Comprehensive Income for the period	280,851	232,927	458,981	384,889

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

GROUP	← Non-distributable →				Distributable		Total
	Share Capital	Share Premium	Statutory reserves	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012							
Balance as at 1 January 2012							
As previously reported	470,000	322,555	470,000	73,006	308	3,326,263	4,662,132
Effects from adopting MFRS139	-	-	-	-	-	202,588	202,588
As restated	470,000	322,555	470,000	73,006	308	3,528,851	4,864,720
Total comprehensive income for the period	-	-	-	-	5,416	477,802	483,218
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2011	-	-	-	-	-	(264,375)	(264,375)
Balance as at 30 June 2012	470,000	322,555	470,000	73,006	5,724	3,742,278	5,083,563

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012 (con'td.)**

GROUP (con'td.)	← Non-distributable →				Distributable		Total
	Share Capital	Share Premium	Statutory reserves	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011							
Balance as at 1 January 2011							
As previously reported	470,000	322,555	470,000	72,797	5,725	2,754,586	4,095,663
Effects from adopting MFRS139	-	-	-	-	-	146,515	146,515
As restated	470,000	322,555	470,000	72,797	5,725	2,901,101	4,242,178
Total comprehensive income for the period	-	-	-	-	(11,387)	411,437	400,050
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2010	-	-	-	-	-	(204,450)	(204,450)
Balance as at 30 June 2011	470,000	322,555	470,000	72,797	(5,662)	3,108,088	4,437,778

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INTERIM FINANCIAL STATEMENTS

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012**

<u>BANK</u>	← Non-distributable →				Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory reserves RM'000	Revaluation reserves RM'000	Net unrealised reserves on AFS securities RM'000	Retained profits RM'000	
<u>2012</u>							
Balance as at 1 January 2012							
As previously reported	470,000	322,555	470,000	-	308	3,311,519	4,574,382
Effects from adopting MFRS139	-	-	-	-	-	202,588	202,588
As restated	470,000	322,555	470,000	-	308	3,514,107	4,776,970
Total comprehensive income for the period	-	-	-	-	5,416	453,565	458,981
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2011	-	-	-	-	-	(264,375)	(264,375)
Balance as at 30 June 2012	470,000	322,555	470,000	-	5,724	3,703,297	4,971,576

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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012 (con'td.)

<u>BANK (con'td.)</u>	← Non-distributable →				Distributable		Total
	Share Capital	Share Premium	Statutory reserves	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2011</u>							
Balance as at 1 January 2011							
As previously reported	470,000	322,555	470,000	-	5,725	2,762,763	4,031,043
Effects from adopting MFRS139	-	-	-	-	-	146,515	146,515
As restated	470,000	322,555	470,000	-	5,725	2,909,278	4,177,558
Total comprehensive income for the period	-	-	-	-	(11,387)	396,276	384,889
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2010	-	-	-	-	-	(204,450)	(204,450)
Balance as at 30 June 2011	470,000	322,555	470,000	-	(5,662)	3,101,104	4,357,997

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INTERIM FINANCIAL STATEMENTS**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS****FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012**

	Group		Bank	
	30-Jun-12	30-Jun-11 (Restated)	30-Jun-12	30-Jun-11 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	623,502	567,173	599,659	553,026
Adjustments for non-operating and non-cash items	(63,582)	10,190	(43,909)	17,550
Operating profit before working capital changes	559,920	577,363	555,750	570,576
Changes in working capital:				
Net changes in operating assets	(6,657,305)	(4,935,095)	(6,669,243)	(4,934,585)
Net changes in operating liabilities	8,156,822	8,893,549	8,160,440	8,892,029
Tax expense paid	(180,213)	(95,335)	(180,179)	(95,315)
Net cash generated from operating activities	1,879,224	4,440,482	1,866,768	4,432,705
Net cash (used in)/generated from investing activities	(6,540,481)	1,587,343	(6,528,025)	1,595,120
Net cash used in financing activities	(264,201)	(204,450)	(264,201)	(204,450)
Net changes in cash and cash equivalents	(4,925,458)	5,823,375	(4,925,458)	5,823,375
Cash and cash equivalents at beginning of the period	13,874,911	9,281,778	13,874,911	9,281,778
Cash and cash equivalents at end of the period	8,949,453	15,105,153	8,949,453	15,105,153

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012**

1. BASIS OF PREPARATION

The unaudited interim financial statements for the financial period ended 30 June 2012 have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB").

These unaudited interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The explanatory notes attached in the unaudited interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2011.

Since the previous annual audited financial statements as at 31 December 2011 were issued, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note 33 Changes in Accounting Policies.

The following MFRS, IC Interpretation and Amendments to MFRSs have been adopted by the Group during the current period:

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to MFRS 1)
Disclosures - Transfers of Financial Assets (Amendments to MFRS 7)
Deferred tax: Recovery of Underlying Assets (Amendments to MFRS 112)

The adoption of the IC Interpretation and Amendments to MFRSs above did not have any financial impact on the Group and the Bank as they mainly help to clarify the requirements of or provide further explanations to existing MFRSs.

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective:

Effective for annual periods commencing on or after 1 July 2012

Presentation of Items of Other Comprehensive income (Amendments to MFRS 101)

Effective for annual periods commencing 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 (as amended in June 2011)
MFRS 127 Separate Financial Statements (as amended by IASB in May 2011)
MFRS 128 Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012**

1. BASIS OF PREPARATION (con'td.)

Effective for annual periods commencing on or after 1 January 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
Effective for annual periods commencing on or after 1 January 2015
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

IC Interpretation 20 will not have any financial impact to the Group as it is not relevant to the Group's operations. The financial effects of the above MFRSs and Amendments to MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

2. AUDITORS' REPORT

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2011 was not subject to any qualification.

3. 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 financial period ended 30 June 2012.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial periods that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 June 2012.

6. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the financial period ended 30 June 2012.

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and directors' valuation. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial period ended 30 June 2012.

8. DIVIDENDS PAID

A final dividend of 75% less 25% taxation in respect of the financial year ended 31 December 2011, amounting to RM264,375,000 was paid on 12 April 2012.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****10. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group for the financial period ended 30 June 2012.

11. CASH AND SHORT-TERM FUNDS

	Group and Bank		
	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	236,646	386,271	720,318
Money at call and deposit placements maturing within one month	8,361,083	13,476,954	8,550,571
	8,597,729	13,863,225	9,270,889

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank		
	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000
Licensed banks	351,724	511	-
Other financial institutions	-	11,175	10,889
	351,724	11,686	10,889

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group and Bank		
	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000
Held-for-trading securities			
At fair value:			
Bank Negara Malaysia bills	3,043,196	1,507,196	1,601,588
Malaysian Government treasury bills	74,424	120,013	42,791
Malaysian Government securities	343,006	286,580	52,715
Cagamas bonds	-	-	10,246
Bankers' acceptances and Islamic accepted bills	35,816	37,844	147,655
Total held-for-trading securities	3,496,442	1,951,633	1,854,995
Designated as fair value through profit and loss			
Inside Malaysia but denominated in United States Dollar			
Private debt securities	367,708	522,874	420,080
Total financial assets at fair value through profit and loss	3,864,150	2,474,507	2,275,075

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****14. AVAILABLE-FOR-SALE SECURITIES**

	Group and Bank		
	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000
At fair value			
Money market instruments:			
Bank Negara Malaysia bills	6,829,454	1,939,484	1,392,716
Malaysian Government treasury bills	79,516	-	132,809
Malaysian Government securities	1,982,922	274,438	540,803
Negotiable instruments of deposits	100,022	-	-
Cagamas bonds	292,434	418,087	1,186,681
	9,284,348	2,632,009	3,253,009
Private Debt Securities of Companies Incorporated			
In Malaysia:			
Corporate bonds	171,013	170,556	244,706
	171,013	170,556	244,706
Quoted securities:			
Shares of corporations outside Malaysia	9,260	7,842	5,191
Shares of corporations in Malaysia	2,499	2,182	2,158
	11,759	10,024	7,349
At cost			
Unquoted securities:			
Shares	12,272	12,272	12,272
Private debt securities	1,246	276	276
	13,518	12,548	12,548
Total available-for-sale securities	9,480,638	2,825,137	3,517,612

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****15. LOANS, ADVANCES AND FINANCING**

	30-Jun-12	Group		30-Jun-12	Bank	
	RM'000	31-Dec-11 (Restated) RM'000	1-Jan-11 (Restated) RM'000	RM'000	31-Dec-11 (Restated) RM'000	1-Jan-11 (Restated) RM'000
Overdrafts	2,724,645	2,676,449	2,561,532	2,724,645	2,676,449	2,561,930
Term loans and revolving credits						
Housing loans	19,005,350	17,240,962	13,125,569	19,005,350	17,240,962	13,125,569
Syndicated term loans	1,065,045	848,493	596,834	1,065,045	848,493	596,834
Other term loans/financing	21,653,643	18,693,916	12,217,627	21,849,559	18,877,767	12,397,444
Credit cards receivable	1,663,045	1,656,020	1,322,621	1,663,045	1,656,020	1,322,621
Bills receivable	158,823	196,464	179,505	158,823	196,464	179,505
Trust receipts	1,292,913	1,421,533	852,649	1,292,913	1,421,533	852,649
Claims on customers under acceptance credits	5,039,281	4,927,815	4,331,757	5,039,281	4,927,815	4,331,757
Staff loans - Others	66,945	73,036	79,287	66,945	73,036	79,287
Others	12,130	9,717	6,849	12,130	9,717	6,849
	52,681,820	47,744,405	35,274,230	52,877,736	47,928,256	35,454,445
Unearned interest	(49,606)	(62,745)	(52,580)	(49,606)	(62,745)	(52,580)
Gross loans, advances and financing	52,632,214	47,681,660	35,221,650	52,828,130	47,865,511	35,401,865
Allowance for losses on loans, advance and financing						
- Individual impairment	(278,440)	(249,315)	(278,563)	(278,440)	(249,315)	(278,563)
- Collective impairment	(500,013)	(451,451)	(359,916)	(500,013)	(451,451)	(359,916)
Net loans, advances and financing	51,853,761	46,980,894	34,583,171	52,049,677	47,164,745	34,763,386

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****15. LOANS, ADVANCES AND FINANCING (con'td.)****(i) By maturity structure:**

	Group			Bank		
	30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Maturing within one year	14,360,844	13,751,193	11,705,461	14,360,844	13,751,193	11,705,859
One year to three years	1,371,371	1,263,462	1,502,550	1,371,371	1,263,462	1,502,550
Three years to five years	3,561,252	2,886,776	1,368,609	3,561,252	2,886,776	1,368,609
Over five years	33,338,747	29,780,229	20,645,030	33,534,663	29,964,080	20,824,847
	52,632,214	47,681,660	35,221,650	52,828,130	47,865,511	35,401,865

(ii) By type of customer:

	Group			Bank		
	30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions						
- Stockbroking companies	4,015	8	-	4,015	8	-
- Others	341,836	256,531	116,628	341,836	256,531	116,628
Domestic business enterprises						
- Small medium enterprises	11,646,787	11,527,835	8,387,058	11,646,787	11,527,835	8,387,058
- Others	12,106,510	10,150,067	7,937,850	12,302,426	10,333,918	8,118,065
Individuals	24,402,267	21,813,502	16,007,497	24,402,267	21,813,502	16,007,497
Other domestic entities	125	116	144	125	116	144
Foreign entities	4,130,674	3,933,601	2,772,473	4,130,674	3,933,601	2,772,473
	52,632,214	47,681,660	35,221,650	52,828,130	47,865,511	35,401,865

(iii) By interest/profit rate sensitivity:

	Group			Bank		
	30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed rate						
Housing loans/financing	52,284	58,053	64,904	52,284	58,053	64,904
Other fixed rate loan/financing	2,998,885	2,950,070	2,091,146	2,998,885	2,950,070	2,091,146
Variable rate						
BLR plus	47,294,373	42,883,908	31,670,282	47,294,373	42,883,908	31,670,680
Cost-plus	1,619,179	1,122,256	1,060,671	1,815,095	1,306,107	1,240,488
Other variable rates	667,493	667,373	334,647	667,493	667,373	334,647
	52,632,214	47,681,660	35,221,650	52,828,130	47,865,511	35,401,865

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****15. LOANS, ADVANCES AND FINANCING (con'td.)****(iv) By sector:**

	Group			Bank		
	30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	506,674	540,462	266,054	506,674	540,462	266,054
Mining and quarrying	86,377	82,556	71,633	86,377	82,556	71,633
Manufacturing	6,532,096	6,200,739	5,013,507	6,532,096	6,200,739	5,013,507
Electricity, gas and water	15,993	43,854	49,116	15,993	43,854	49,116
Construction	4,185,406	3,519,461	1,936,901	4,185,406	3,519,461	1,936,901
Wholesale & retail trade and restaurants & hotels	7,193,842	6,621,331	5,069,577	7,193,842	6,621,331	5,069,577
Transport, storage and communication	725,907	518,524	354,489	725,907	518,524	354,489
Finance, insurance and business services	2,567,178	2,253,738	2,056,005	2,567,178	2,253,738	2,056,005
Real estate	2,438,101	2,305,881	1,560,215	2,634,017	2,489,732	1,740,430
Community, social and personal services	200,902	212,430	94,877	200,902	212,430	94,877
Households of which:	28,141,126	25,347,201	18,745,126	28,141,126	25,347,201	18,745,126
- purchase of residential properties	19,898,774	18,053,741	13,765,796	19,898,774	18,053,741	13,765,796
- purchase of non residential properties	4,163,452	3,379,329	1,855,713	4,163,452	3,379,329	1,855,713
- others	4,078,900	3,914,131	3,123,617	4,078,900	3,914,131	3,123,617
Others	38,612	35,483	4,150	38,612	35,483	4,150
	52,632,214	47,681,660	35,221,650	52,828,130	47,865,511	35,401,865

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

	Group			Bank		
	30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	833,396	869,568	1,020,358	833,396	869,568	1,020,358
Classified as impaired during the period/year	375,900	518,035	508,876	375,900	518,035	508,876
Amount recovered	(120,903)	(289,956)	(319,980)	(120,903)	(289,956)	(319,980)
Reclassified as non-impaired	(105,488)	(157,787)	(217,200)	(105,488)	(157,787)	(217,200)
Amount written off	(56,276)	(106,464)	(122,486)	(56,276)	(106,464)	(122,486)
At 1 Jan / 30 June / 31 December	926,629	833,396	869,568	926,629	833,396	869,568
Individual impairment	(278,440)	(249,315)	(278,563)	(278,440)	(249,315)	(278,563)
Net impaired loans, advances and financing	648,189	584,081	591,005	648,189	584,081	591,005

Ratio of net impaired loans, advances and financing to net loans, advances and financing

	1.2%	1.3%	1.7%	1.2%	1.2%	1.7%
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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****15. LOANS, ADVANCES AND FINANCING (con'td.)****(vi) Movements in allowance for losses on loans,
advances and financing are as follows:**

	Group and Bank	
	30-Jun-12	31-Dec-11
		(Restated)
	RM'000	RM'000
<u>Collective Impairment</u>		
At 1 January		
As previously reported	721,569	555,269
Effects from adopting MFRS139 (Note 33)	(270,118)	(195,353)
As restated	451,451	359,916
Allowance made during the period/year	48,562	91,535
At 30 June / 31 December	500,013	451,451

	Group and Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
<u>Individual Impairment</u>		
At 1 January	249,315	278,563
Allowance made during the period/year	160,678	210,473
Amount written back in respect of recoveries	(60,600)	(116,985)
Amount written off	(61,352)	(116,149)
Interest recognition on impaired loans	(2,410)	(6,587)
Transfer to Debt Restructuring	(7,191)	-
At 30 June / 31 December	278,440	249,315

**(vii) Impaired loans, advances and financing according
to economic sectors are as follows:**

	Group and Bank		
	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	840	634	1,866
Manufacturing	282,074	257,876	308,353
Construction	108,688	106,778	42,198
Wholesale & retail trade and restaurants & hotels	121,640	122,472	127,356
Transport, storage and communication	5,956	5,071	2,916
Finance, insurance and business services	18,401	19,357	20,306
Real estate	25,419	10,528	14,310
Community, social and personal services	408	895	2,482
Households of which:	363,203	309,785	349,781
- purchase of residential properties	272,918	239,435	276,543
- purchase of non residential properties	32,450	14,952	14,587
- others	57,835	55,398	58,651
	926,629	833,396	869,568

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****16. FINANCIAL DERIVATIVES**

The notional principal amounts and the positive and negative fair values of the Group's and Bank's financial derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 June 2012			
Foreign exchange contracts			
- forwards	6,396,147	48,669	30,959
- swaps	4,116,208	52,862	49,831
Interest rate related contracts			
- swaps	19,930,150	161,987	193,080
Options	1,750,625	10,689	8,126
	<u> </u>	<u>274,207</u>	<u>281,996</u>
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
	<u> </u>	<u>256,860</u>	<u>347,948</u>
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
	<u> </u>	<u>244,248</u>	<u>337,928</u>

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****17. OTHER ASSETS**

	Group			Bank		
	30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	135,567	186,058	139,431	139,082	189,690	143,093
Accrued interest receivable	57,271	45,528	39,237	57,271	45,528	39,237
Amount due from subsidiaries	-	-	-	376	385	646
Precious Metal accounts	307,683	242,810	33,484	307,683	242,810	33,484
	500,521	474,396	212,152	504,412	478,413	216,460

18. INVESTMENT PROPERTIES

Group	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000
At 1 January	8,280	8,460	8,640
Depreciation charge	(90)	(180)	(180)
At 1 Jan / 30 June / 31 December	8,190	8,280	8,460

19. PREPAID LAND LEASE PAYMENTS

Group	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000
Long term leasehold land			
At 1 January	39,674	40,270	40,930
Amortisation for the period / year	(330)	(660)	(660)
Impairment write back	-	64	-
At 1 Jan / 30 June / 31 December	39,344	39,674	40,270

20. DEPOSITS FROM CUSTOMERS

	Group			Bank		
	30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Demand deposits	9,197,624	8,232,769	6,554,962	9,211,987	8,243,714	6,568,414
Savings deposits	2,892,532	2,739,425	2,714,454	2,892,532	2,739,425	2,714,454
Fixed deposits	29,605,839	24,516,626	17,762,547	29,606,890	24,517,664	17,763,560
Negotiable instruments of deposits	3,261,439	1,937,141	229,620	3,261,439	1,937,141	229,620
Others	15,762,530	15,217,121	11,703,253	15,762,530	15,217,121	11,703,253
	60,719,964	52,643,082	38,964,836	60,735,378	52,655,065	38,979,301

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****20. DEPOSITS FROM CUSTOMERS (con'td.)**

	Group			Bank		
	30-Jun-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	30-Jun-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
(i) The maturity structure of fixed deposits and negotiable instruments of deposits is as follows:						
Due within six months	24,312,684	19,708,555	14,809,586	24,313,735	19,709,593	14,810,599
Six months to one year	8,347,224	6,605,688	2,969,999	8,347,224	6,605,688	2,969,999
One year to three years	203,721	119,767	185,908	203,721	119,767	185,908
Three years to five years	3,649	19,757	26,674	3,649	19,757	26,674
	32,867,278	26,453,767	17,992,167	32,868,329	26,454,805	17,993,180
(ii) The deposits are sourced from the following customers:						
Business enterprises						
- Subsidiaries	-	-	-	15,414	11,983	14,465
- Others	28,728,851	24,110,906	18,565,252	28,728,851	24,110,906	18,565,252
Individuals	24,136,392	21,367,320	16,820,827	24,136,392	21,367,320	16,820,827
Others	7,854,721	7,164,856	3,578,757	7,854,721	7,164,856	3,578,757
	60,719,964	52,643,082	38,964,836	60,735,378	52,655,065	38,979,301

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group			Bank		
	30-Jun-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	30-Jun-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Licensed banks in Malaysia	500,937	99,655	1,280,144	500,937	99,655	1,280,144
Bank Negara Malaysia	1,577,999	1,460,545	2,303,013	1,577,999	1,460,545	2,303,013
Licensed investment banks in Malaysia	-	-	30,000	-	-	30,000
Other financial institutions outside Malaysia	4,399,284	4,968,573	289,897	4,399,711	4,969,000	290,323
	6,478,220	6,528,773	3,903,054	6,478,647	6,529,200	3,903,480

22. OTHER LIABILITIES

	Group			Bank		
	30-Jun-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000	30-Jun-12 RM'000	31-Dec-11 RM'000	1-Jan-11 RM'000
Provision for commitments and contingencies	785	5,250	5,570	785	5,250	5,570
Accrued interest payable	348,029	244,809	158,216	347,129	243,909	157,315
Accruals and provisions for operational expenses	65,231	109,771	99,953	64,992	109,771	99,953
Other accruals and provisions	945,810	789,048	264,495	945,342	788,154	264,525
	1,359,855	1,148,878	528,234	1,358,248	1,147,084	527,363

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****23. SUBORDINATED BONDS**

	Group and Bank		
	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000
RM500 million Subordinated Bonds 2010/2020, at par	500,000	500,000	500,000
Unamortised expenses relating to issue of Subordinated Bonds	(924)	(1,098)	(1,372)
	<u>499,076</u>	<u>498,902</u>	<u>498,628</u>

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

The Bonds bear interest at the rate of 4.88% per annum from 29 March 2010 to 29 March 2015 and thereafter, at the rate of 5.88% per annum from 30 March 2015 to the date of early redemption in full of such Bonds or maturity date of the Bonds (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 AA2 by Rating Agency Malaysia Bhd and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

24. OPERATING REVENUE

Operating revenue of the Group and the Bank comprise interest income, commission income, investment income/(loss), trustee and nominee services and other income derived from banking operation.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****25. INTEREST INCOME**

	Group		Bank	
	Six Months Ended		Six Months Ended	
	Jun-12	Jun-11	Jun-12	Jun-11
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	1,241,092	924,388	1,244,564	927,463
- Recoveries from impaired loans	33,864	33,174	33,864	33,174
Money at call and deposit placements with financial institutions	104,161	138,461	104,161	138,461
Financial assets at fair value through profit and loss	52,590	14,075	52,590	14,075
Available-for-sale securities	137,998	64,239	137,998	64,239
Others	527	2,107	527	2,107
	1,570,232	1,176,444	1,573,704	1,179,519
Amortisation of premium less accretion of discount on:				
- Financial assets at fair value through profit and loss	(426)	(172)	(426)	(172)
- Available-for-sale securities	(2,750)	(3,525)	(2,750)	(3,525)
	1,567,056	1,172,747	1,570,528	1,175,822

26. INTEREST EXPENSE

	Group		Bank	
	Six Months Ended		Six Months Ended	
	Jun-12	Jun-11	Jun-12	Jun-11
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	43,845	56,595	43,858	56,606
Deposits from customers	790,232	477,020	790,232	477,020
Loans sold to Cagamas	-	739	-	739
Subordinated Bonds	12,324	12,232	12,324	12,232
Others	8,866	165	8,866	165
	855,267	546,751	855,280	546,762

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****27. OTHER OPERATING INCOME**

	Group		Bank	
	Six Months Ended		Six Months Ended	
	Jun-12	Jun-11	Jun-12	Jun-11
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	81,273	68,184	81,273	68,184
Guarantee fees	32,308	19,661	32,308	19,661
Service charges and fees	93,871	79,593	93,931	79,772
Commitment fees	11,830	10,462	11,835	10,466
Arrangement and participation fees	6,536	3,514	6,536	3,514
	225,818	181,414	225,883	181,597
<u>Investment income/(loss)</u>				
Loss from sale of financial assets at fair value through profit and loss	(28,733)	(29,517)	(28,733)	(29,517)
Gain from sale of precious metals	2,469	1,176	2,469	1,176
Gain from sale/recovery of available-for-sale securities	8,414	14,526	8,414	14,526
Unrealised gain on financial assets at fair value through profit and loss	20,257	17,363	20,257	17,363
Gross dividends from :				
- Available-for-sale securities quoted in Malaysia	448	423	448	423
- Associate	-	-	1,668	4,000
	2,855	3,971	4,523	7,971
<u>Other income</u>				
Foreign exchange gain/(loss)				
- realised	67,291	135,337	67,291	135,337
- unrealised	26,335	(52,314)	26,335	(52,314)
Rental income from operating leases, other than those from investment property	75	97	27	38
Rental income from investment property	250	355	-	-
(Loss)/gain on disposal of property, plant and equipment	(10)	(758)	(10)	(758)
Other operating income	2,188	2,093	2,188	2,093
Others	8,824	8,009	8,783	8,009
	104,953	92,819	104,614	92,405
	333,626	278,204	335,020	281,973

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****28. OTHER OPERATING EXPENSES**

	Group		Bank	
	Six Months Ended		Six Months Ended	
	Jun-12	Jun-11	Jun-12	Jun-11
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	202,615	200,107	200,465	197,181
Establishment related expenses	59,267	58,572	64,882	63,602
Promotion and marketing related expenses	16,348	19,800	17,969	22,313
General administrative expenses	61,874	56,122	61,539	55,520
	340,104	334,601	344,855	338,616
<u>Personnel expenses</u>				
Wages, salaries and bonus	158,053	158,131	156,196	155,630
Employees Provident Fund Contributions (EPF)	24,573	24,028	24,309	23,685
Other employee benefits	19,989	17,948	19,960	17,866
	202,615	200,107	200,465	197,181
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	15,722	15,784	13,538	13,599
Depreciation of investment property	90	90	-	-
Amortisation of prepaid land lease payments	330	330	-	-
Hire of equipment	33	28	33	28
Information technology costs	6,582	7,070	6,582	7,070
Repair and maintenance	7,636	9,567	7,185	9,194
Rental of premises	6,356	5,121	14,018	12,266
Others	22,518	20,582	23,526	21,445
	59,267	58,572	64,882	63,602
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	10,746	9,569	10,742	9,557
Others	5,602	10,231	7,227	12,756
	16,348	19,800	17,969	22,313
<u>General administrative expenses</u>				
Fees and commissions paid	35,329	31,632	35,108	31,182
Others	26,545	24,490	26,431	24,338
	61,874	56,122	61,539	55,520

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group		Bank	
	Six Months Ended		Six Months Ended	
	Jun-12	Jun-11 (Restated)	Jun-12	Jun-11 (Restated)
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans, advances and financing				
(a) Individual impairment				
- Made in the financial period	160,678	103,797	160,678	103,797
- Written back in the financial period	(60,600)	(54,207)	(60,600)	(54,207)
(b) Collective impairment				
- Made/(written back) in the financial period	48,562	17,756	48,562	17,756
Impaired loans, advances and financing				
- Written back	(4,183)	(2,336)	(4,183)	(2,336)
- Recovered	(34,237)	(45,572)	(34,237)	(45,572)
	110,220	19,438	110,220	19,438

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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The Group computes capital adequacy ratios in accordance with Bank Negara Malaysia's guideline.

	Group			Bank		
	30-Jun-12	31-Dec-11	1-Jan-11	30-Jun-12	31-Dec-11	1-Jan-11
	RM'000	(Restated)	(Restated)	RM'000	(Restated)	(Restated)
		RM'000	RM'000		RM'000	RM'000
<u>Tier I capital</u>						
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 - audited	3,742,278	3,528,851	2,901,101	3,703,297	3,514,107	2,909,278
Statutory reserve	470,000	470,000	470,000	470,000	470,000	470,000
Less: Deferred tax assets	(288,790)	(290,595)	(148,576)	(288,850)	(290,655)	(148,602)
Total Tier I capital	4,716,043	4,500,811	4,015,080	4,677,002	4,486,007	4,023,231
<u>Tier II capital</u>						
Subordinated bonds	500,000	500,000	500,000	500,000	500,000	500,000
Collective impairment (proportion of Standardised Approach's RWA)	80,992	72,501	61,756	78,420	70,090	59,419
Surplus/(Deficit) of total Eligible Provisions over total Expected Loss (IRB approach)	17,783	(11,953)	(2,828)	20,356	(9,542)	(492)
Total Tier II capital	598,775	560,548	558,928	598,776	560,548	558,927
Total capital	5,314,818	5,061,359	4,574,008	5,275,778	5,046,555	4,582,158
Less : Investment in subsidiaries	-	-	-	(50)	(50)	(50)
Capital base	5,314,818	5,061,359	4,574,008	5,275,728	5,046,505	4,582,108

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

	Group			Bank		
	30-Jun-12	31-Dec-11 (Restated)	1-Jan-11 (Restated)	30-Jun-12	31-Dec-11 (Restated)	1-Jan-11 (Restated)
Core capital ratio	12.54%	13.48%	15.05%	12.50%	13.49%	15.19%
Risk-weighted capital ratio	14.13%	15.16%	17.14%	14.10%	15.17%	17.30%

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

	Group			Bank		
	30-Jun-12 RM'000	31-Dec-11 (Restated) RM'000	1-Jan-11 (Restated) RM'000	30-Jun-12 RM'000	31-Dec-11 (Restated) RM'000	1-Jan-11 (Restated) RM'000
Total RWA for credit risk	32,138,322	29,402,963	22,565,776	31,942,240	29,217,085	22,390,278
Total RWA for market risk	1,839,968	646,320	523,537	1,839,968	646,320	523,537
Total RWA for operational risk	3,206,352	2,914,924	2,527,863	3,206,352	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
	37,611,651	33,391,216	26,683,843	37,415,569	33,264,502	26,489,337

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	Group and Bank		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
As at 30 June 2012			
Direct credit substitutes	1,475,563	1,475,563	924,744
Transaction-related contingent items	2,579,865	1,289,966	786,253
Short-term self-liquidating trade-related contingencies	385,087	77,017	50,686
Foreign exchange related contracts			
- less than one year	10,232,235	186,788	64,817
- one year to less than five years	208,527	17,610	17,008
Interest rates related contracts			
- less than one year	9,785,420	66,782	16,200
- one year to less than five years	8,615,778	330,394	251,635
- five years and above	1,595,598	144,122	104,086
Equity related contracts			
- less than one year	18,742	1,417	718
- one year to less than five years	87,053	2,342	693
Others	14,388,633	1,274,996	199,524
Total	49,372,501	4,866,997	2,416,364

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group and Bank		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
As at 31 December 2011			
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 rates related contracts			
- less than one year	10,024,443	65,672	15,233
- 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
- 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

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	Group and Bank		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
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 rates related contracts			
- less than one year	7,341,125	30,347	8,923
- 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
- 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.

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32. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	30-Jun-12	31-Dec-11
Outstanding credit exposures with connected parties (RM'000)	<u>781,947</u>	<u>494,228</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>1.480%</u>	<u>1.030%</u>
Percentage of outstanding credit exposures to connected parties which is impaired or in default	<u>0.000%</u>	<u>0.001%</u>

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 on 1 January 2008.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

33. CHANGES IN ACCOUNTING POLICIES

(a) Transition to the MFRS Framework

These unaudited interim financial statements are for part of the period covered by the Group's and the Bank's first annual financial statements for the year ending 31 December 2012 prepared under the MFRS framework. Accordingly, the Group and the Bank have applied MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards in their transition to the MFRS framework on 1 January 2012. Other than the financial impact arising from the change in accounting policy on collective assessment allowance due to the removal of transitional provision of 1.5% as detailed below, the MFRS framework did not result in any financial impact to the Group and the Bank as the accounting policies adopted under the previous FRS framework were already in line with the requirements of the MFRS framework.

The transition to the MFRS framework has resulted in the following changes:

MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

Prior to the transition to MFRS 139, the Group and Bank had maintained their collective assessment allowance at 1.5% 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 139 on 1 January 2012, these transitional provisions, which were allowed under the previous GP 3 were removed and the Group and the Bank have applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Under MFRS 139, 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:

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Statements of Financial Position	Group and Bank	
	31-Dec-11	1-Jan-11
	RM'000	RM'000
Loans, advances and financing (Note 15)		
<u>Collective Impairment</u>		
As previously reported	721,569	555,269
Effects from adopting MFRS139	(270,118)	(195,353)
As restated	451,451	359,916

	Group		Bank	
	31-Dec-11	1-Jan-11	31-Dec-11	1-Jan-11
	RM'000	RM'000	RM'000	RM'000
Retained Profits				
As previously reported	3,326,263	2,754,586	3,311,519	2,762,763
Effects from adopting MFRS139	202,588	146,515	202,588	146,515
As restated	3,528,851	2,901,101	3,514,107	2,909,278

Income Statements	Group and Bank	
	Six Months Ended	
	Jun-11	
	RM'000	
(Allowance for) / reversal of impaired loans, advances and financing		
<u>Collective Impairment</u>		
As previously reported		94,800
Effects from adopting MFRS139		(77,044)
As restated		17,756

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In the preparation of the Group's and the Bank's opening MFRS statements of financial position, the amounts previously reported in accordance with the previous FRS framework have been adjusted for the financial effects of the adoption of the MFRS framework. A reconciliation of these changes is summarised in the following tables:

(i) Statements of Financial Position

	Under the FRS Framework RM'000	Effect of the Transition to MFRS 139 RM'000	Under the MFRS Framework RM'000
Group			
As at 31 December 2011			
ASSETS			
Loans, Advances and Financing	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
Bank			
As at 31 December 2011			
ASSETS			
Loans, Advances and Financing	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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****33. CHANGES IN ACCOUNTING POLICIES (con'td.)****(b) Financial Impact of Changes in Accounting Policies (con'td.)****(i) Statements of Financial Position (con'td.)**

	Under the FRS Framework RM'000	Effect of the Transition to MFRS 139 RM'000	Under the MFRS Framework RM'000
Group			
As at 1 January 2011			
ASSETS			
Loans, Advances and Financing	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, Advances and Financing	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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2012****33. CHANGES IN ACCOUNTING POLICIES (con'td.)****(b) Financial Impact of Changes in Accounting Policies (con'td.)****(ii) Reconciliation of Income Statements and Statements of Comprehensive Income**

Income Statements	Under the FRS Framework RM'000	Effect of the Transition to MFRS 139 RM'000	Under the MFRS Framework RM'000
Group			
FINANCIAL PERIOD ENDED 30 JUNE 2011			
Operating Revenue	1,442,021		1,442,021
Interest Income	1,172,747		1,172,747
Interest Expense	(546,751)		(546,751)
Net Interest Income	625,996		625,996
Other Operating Income	278,204		278,204
Operating Income	904,200		904,200
Other Operating Expenses	(334,601)		(334,601)
Operating Profit before allowance for Impairment on Loans, Advances and Financing and provision for Commitments and Contingencies	569,599		569,599
(Allowance for) / reversal of impairment on Loans, Advances and Financing	(96,482)	77,044	(19,438)
Net write back of provision for Commitments and Contingencies	47		47
	473,164		550,208
Share of net profit of associates	16,965		16,965
Profit before Taxation	490,129		567,173
Income Tax expense	(136,475)	(19,261)	(155,736)
Profit after Taxation	353,654		411,437

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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Income Statements	Under the FRS Framework RM'000	Effect of the Transition to MFRS 139 RM'000	Under the MFRS Framework RM'000
Bank			
FINANCIAL PERIOD ENDED 30 JUNE 2011			
Operating Revenue	1,448,865		1,448,865
Interest Income	1,175,822		1,175,822
Interest Expense	(546,762)		(546,762)
Net Interest Income	629,060		629,060
Other Operating Income	281,973		281,973
Operating Income	911,033		911,033
Other Operating Expenses	(338,616)		(338,616)
Operating Profit before allowance for Impairment on Loans, Advances and Financing and provision for Commitments and Contingencies	572,417		572,417
(Allowance for) / reversal of impairment on Loans, Advances and Financing	(96,482)	77,044	(19,438)
Net write back of provision for Commitments and Contingencies	47		47
Profit before Taxation	475,982		553,026
Income Tax expense	(137,489)	(19,261)	(156,750)
Profit after Taxation	338,493		396,276

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Statements of Comprehensive Income	Under the FRS Framework RM'000	Effect of the Transition to MFRS 139 RM'000	Under the MFRS Framework RM'000
Group			
FINANCIAL PERIOD ENDED 30 JUNE 2011			
Profit for the period	<u>353,654</u>	57,783	<u>411,437</u>
Other Comprehensive Income:			
Net loss on Revaluation of Available-for-Sale Securities	(11,387)		(11,387)
	<u> </u>		<u> </u>
Total Comprehensive Income for the period	<u><u>342,267</u></u>		<u><u>400,050</u></u>
Bank			
FINANCIAL PERIOD ENDED 30 JUNE 2011			
Profit for the period	<u>338,493</u>	57,783	<u>396,276</u>
Other Comprehensive Income:			
Net loss on Revaluation of Available-for-Sale Securities	(11,387)		(11,387)
	<u> </u>		<u> </u>
Total Comprehensive Income for the period	<u><u>327,106</u></u>		<u><u>384,889</u></u>

(iii) There are no material differences between the statement of cash flows presented under the MFRSs and the statement of cash flows presented under FRSs.

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The adjustments to the financial statements of the Group and the Bank as a result of the transition to the MFRS framework and the changes in accounting policies, as discussed above, also had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	As at 31 December 2011		As at 1 January 2011	
	As previously stated: Under the FRS Framework	As restated: Under the MFRS Framework	As previously stated: Under the FRS Framework	As restated: Under the MFRS Framework
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%

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS AT 30 JUNE 2012

34. PERFORMANCE REVIEW

The Group achieved a pre-tax profit of RM623.5 million for the first six months of 2012, RM56.3 million or 9.9% higher as compared to the corresponding period last year. The better performance was mainly contributed by higher total income, higher share of net profit of associates but offset by higher allowance for impairment on loans, advances and other operating expenses.

Net interest income increased by 13.7% or RM85.8 million to RM711.8 million mainly due to healthy loans growth. Other operating income grew by 19.9% or RM55.4 million to RM333.6 million mainly due to higher fee income and higher forex profit.

Total operating expenses was well-controlled at RM340.1 million, increased by RM5.5 million or 1.6% due to higher staff expenses and general administrative expenses. Expense to income ratio improved from 37.0% to 32.5%.

The allowances for impairment on loans, advances and financing was at RM110.2 million, increased by RM90.8 million mainly due to higher individual and collective impairment.

Year to date, gross loans registered a strong growth of RM5.0 billion or 10.4% to RM52.6 billion. The growth was broad based with the main growth came from housing, construction, wholesale & retail trade, manufacturing, finance, insurance and business services. Net NPL ratio improved from 1.3% to 1.2%.

Non bank deposits grew by 15.3% or RM8.1 billion to RM60.7 billion mainly contributed by higher fixed deposits and negotiable instruments of deposits. Net loans to deposit ratio improved from 89.2% to 85.4%.

35. PROSPECTS FOR 2012

The global economy remains uncertain with the continued modest recovery in the US economy and the European sovereign debt crisis may still affect the global economy. Notwithstanding the challenging external environment, the growth of Malaysian economy is expected to be supported by resilient domestic demand. Interest rates are expected to stay accommodative at present level while inflation is likely to be lower than first half of the year.

The Group expects the loans growth of the industry to slow down slightly while intensive competition will continue for both the lending business and deposits acquisition. The Group continues to be cautiously optimistic to achieve a satisfactory set of result in 2012.