United Overseas Bank (Malaysia) Bhd
Annual Report 2009

The Dune
Goh Beng Kwan

The Dune, by Singapore's Cultural Medallion recipient Mr Goh Beng Kwan, is part of the UOB Art Collection. The artwork is the winning piece at the inaugural UOB Painting Of The Year Competition in 1982, and was inspired by a dune in a small town in Massachusetts, USA, where Mr Goh had studied to be an artist. The UOB Painting Of The Year Competition and Exhibition is a flagship event under the corporate social responsibility programme of United Overseas Bank Limited.

新加坡文化奖得主吴珉权先生的作品《沙丘》，目前为大华银行所收藏。在1982年首届大华银行全国绘画比赛中，这幅作品荣登榜首。《沙丘》的创作灵感源自吴先生在美国学习美术期间在马萨诸塞州某小镇见到的一个沙丘。

Contents

Reports and financial statements for the year ended 31 December 2009

About UOB (Malaysia)

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

UOB has had a presence in Malaysia since 1951. Today, UOB (Malaysia) operates 41 branches throughout Malaysia.

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

UOB (Malaysia) is rated AA1 by the Rating Agency of Malaysia (RAM).

For further information, please visit uob.com.my

Chairman's statement

"By leveraging on the UOB Group's vast array of products and services and extensive network in the region, we are confident that the Bank will achieve satisfactory results in 2010 despite the challenging market conditions."

2009 Financial Performance

The United Overseas Bank (Malaysia) Bhd ["UOB Malaysia"] Group performed well in 2009. The Group delivered a Profit Before Tax (NPBT) of RM688.48 million, an increase of RM170.01 million or 32.8% as compared to the previous year (2008: RM518.47 million). This translated into a return on equity (after tax) of 16.1% and return on assets (after tax) of 1.2% (2008: 13.7% and 1.0% respectively).

The strong growth in NPBT was mainly from higher other operating income and lower impairment charges. Other operating income increased by 43.4% to RM401.54 million (2008: RM280.0 million) contributed by higher trading income as financial markets recovered from the unprecedented volatility of 2008. Total impairment charges were 31.9% lower at RM154.57 million (2008: RM227.0 million). The Group's Non-Performing Loans ("NPL") were reduced by 14.8% to RM1.020 billion (2008: RM1.197 billion) and net NPL ratio improved to 2.7% (2008: 2.8%).

The Group's shareholders fund expanded by 17.1% to RM3.496 billion (2008: RM2.985 billion) and total assets increased by 3.2% to RM42.755 billion (2008: RM41.425 billion). Due to the weak economic conditions and our prudent credit policy, overall loans remained flat at RM28.468 billion (2008: RM28.439 billion) while non-bank deposits increased by 5.2% to RM31.558 billion (2008: RM30.012 billion).

2010 Prospects and Plans

While the worst of the global financial crisis appears to be over, the extent and pace of business recovery is expected to vary from country to country. Malaysia's gross domestic product contracted 1.7% in 2009 and we are cautiously optimistic that 2010 will be a better year for Malaysia. The Government plans to push the growth rate to 5% with accommodative monetary policies.

The Bank intends to grow its business in tandem with the improving economic conditions, but more intense competition is expected with the entry of new foreign banks under the Government's financial sector liberalisation plan. The intense competition for loans is likely to have a negative impact on loan margin. Under the same financial sector liberalisation plan initiatives, the Bank hopes to open another four branches in 2010 to better serve our customers.

In the increasingly competitive environment, the Bank will continue to focus on providing quality services and products to our customers. By leveraging on the UOB Group's vast array of products and services and extensive network in the region, we are confident that the Bank will achieve satisfactory results in 2010 despite the challenging market conditions.

Acknowledgement

I would like to thank the Board of Directors for their wise counsel and guidance during the past year and take this opportunity to also welcome Datuk Abu Huraira bin Abu Yazid, who has a deep knowledge of the Malaysian banking sector. Datuk Abu Huraira joined the Board on 5 February 2010.

Lastly, on behalf of the Board of Directors, I would like to express our appreciation to the management and staff of the Bank for their contributions, commitment and dedication to the Group; and to our customers for their continuous support.

Wee Cho Yaw
Chairman

Board of directors

Board of Directors
Wee Cho Yaw
Chairman

Wee Ee Cheong
Lee Chin Yong Francis
Ong Sea Eng Terence
YABhg Tun Dato' Seri Utama Dr Lim Chong Eu
Ng Kee Wei
Lim Kean Chye
Abdul Latif Bin Yahaya
Chan Kok Seong
Datuk Abu Huraira Bin Abu Yazid
(appointed on 5 February 2010)

Executive Committee
Wee Ee Cheong
Chairman

Lee Chin Yong Francis
Chan Kok Seong

Audit Committee
YABhg Tun Dato' Seri Utama Dr Lim Chong Eu
Chairman

Ng Kee Wei
Ong Sea Eng Terence
Abdul Latif Bin Yahaya

Risk Management Committee
Ng Kee Wei
Chairman

Ong Sea Eng Terence
Abdul Latif Bin Yahaya

Remuneration Committee
Lim Kean Chye
Chairman

Wee Cho Yaw
Lee Chin Yong Francis

Nominating Committee
Lim Kean Chye
Chairman

Wee Cho Yaw
Lee Chin Yong Francis
Ng Kee Wei
Ong Sea Eng Terence

Corporate information

Senior Management

Chan Kok Seong
Director & Chief Executive Officer

Tay Han Chong
Senior Vice President & Senior Head
Personal Financial Services Division

Beh Soo Heng Michael
Managing Director & Head
Global Markets & Investment Management Division

Beh Wee Khee
Senior Vice President & Head
Commercial Banking Division II

Chan Shu Peng
First Vice President & Head
Technology & Operations, Retail

Chun Choy Wan
Senior Vice President & Head
Secretariat
Technology & Operations, Wholesale & Treasury

Kan Wing Yin
Senior Vice President & Head
Commercial Banking Division I

Khoo Chock Seang
Senior Vice President & Head
Sales & Distributions, Personal Financial Services Division

Lee Ean Chye Andre
Senior Vice President & Head
Transaction Banking Division

Lee Voon Seng
Senior Vice President & Head
Human Resources Division

Leong Sow Yoke
Senior Vice President & Head
Internal Audit Division

Lin Kok Hoi
Senior Vice President & Head
Retail-Demand Management
Branch Support/Alternate Channels

Loong See Meng Steven
Senior Vice President & Head
Corporate Banking Division

Lum Chee Onn
Senior Vice President & Head
Technology & Operations Division

Mohd Fhauzi Bin Muridan
Senior Vice President & Head
Bumiputera Business Banking Division

Ng Ling Tee Steven
Managing Director & Head
Loan Syndication & Structured Finance
Investment Banking Division

Por Peng Seong Alex
Senior Vice President & Head
Risk Management Division

Quah Chei Jin Albert
Chief Financial Officer
Senior Vice President & Head
Finance & Corporate Services Division

Seow Hooi Choon James
First Vice President & Head
Business Banking Division

Wee Hock Kiong
First Vice President & Head
Retail Credit
Credit Management Division

Yong Yen Ee
Senior Vice President & Head
Commercial Credit
Credit Management Division

Secretary
Chun Choy Wan

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

Share Capital
Authorised: RM 2,000,000,000
Paid Up: RM 470,000,000

Registered Office
Level 11, Menara UOB
Jalan Raja Laut, 50350 Kuala Lumpur

Head Office
Menara UOB, Jalan Raja Laut
Peti Surat 11212
50738 Kuala Lumpur
Telephone: 03-2692 7722
Facsimile: 03-2691 0281
Cable: BANKUOBMKUALALUMPUR
Telex: MA 34191 UOBMHO
Website: uob.com.my
Email: uob121@uob.com.my

Branch network

Federal Territory

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

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

Medan Pasar Branch
Bangunan UOB, Medan Pasar
10-12, Medan Pasar
50050 Kuala Lumpur
Tel: 03-2772 8000
Fax: 03-2031 9387 / 03-2070 8058
Deputy Manager: Tan Ah Ng

Jalan Pudu Branch
408-410, Jalan Pudu
55100 Kuala Lumpur
Tel: 03-9222 5135 / 03-9222 9022
Fax: 03-9221 6667
Manager: How Boon Seong Jonathan

Jalan Imbi Branch
197-199, Jalan Imbi
55100 Kuala Lumpur
Tel: 03-2143 5722
Fax: 03-2148 9725
Manager: Ho Fong Kun

Jalan Sultan Ismail (Parkroyal) Branch
Unit 1-6, Ground Floor, President House
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-2142 8828
Fax: 03-2141 1212
Manager: Lam Chern Feei

Kepong Branch
82, Ground Floor
Jalan 3/62D, Medan Putra Business Centre
Sri Menjalara, Off Jalan Damansara
52200 Kuala Lumpur
Tel: 03-6286 6888
Fax: 03-6275 3668
Manager: Chen FuXiang Samuel

Selangor

Central Area II
2108, Jalan Meru, 41050 Klang
Tel: 03-3342 0712 / 03-3342 0713
Fax: 03-3342 1135
Area Manager: Chui Keng Leng Raymond

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

Jalan Tengah Branch
2-6, Jalan Tengah, 46200 Petaling Jaya
Tel: 03-7955 6576 / 03-7958 2282
Fax: 03-7955 9110
Manager: Choo Wei Hong Kennedy

Jalan Othman Branch
39-45, Jalan Othman, 46000 Petaling Jaya
Tel: 03-7788 3333
Fax: 03-7783 8131
Manager: Lew Siew Teap

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

Damansara Uptown Branch
1, Jalan SS21/58, Ground Floor, Uptown 1
Damansara Uptown, 47400 Petaling Jaya
Tel: 03-7726 2299
Fax: 03-7727 5566
Deputy Manager: Yew Bee Woon

Klang Branch
2108, Jalan Meru, 41050 Klang
Tel: 03-3342 0712 / 03-3342 0713
Fax: 03-3342 1135
Deputy Manager: Hew Chun Kie

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

Puchong Branch
6, Jalan Kenari 5, Bandar Puchong Jaya
47100 Puchong
Tel: 03-8076 8989
Fax: 03-8076 8181
Manager: Wong Yin Pheng

Branch network

Perak

Ipoh Branch
2, Jalan Dato' Seri Ahmad Said
30450 Ipoh
Tel: 05-254 0008 / 05-254 0200
Fax: 05-254 9092
Manager: Liew Chai Kar

Melaka

Plaza Mahkota Branch
1, Jalan PM5, Plaza Mahkota
75000 Melaka
Tel: 06-283 8840 / 06-283 8841
Fax: 06-283 8868
Manager: Sim Meow Hui

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

Pahang

Kuantan Branch
2, Jalan Besar
25000 Kuantan
Tel: 09-514 4155 / 09-516 1844 / 09-516 4755
Fax: 09-513 8266
Manager: Cheow Chee Seng

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

Raub Branch
14 & 16, Jalan Tun Razak
27600 Raub
Tel: 09-355 1187 / 09-355 3766
Fax: 09-355 5955
Manager: Lee Kim Thye

Negeri Sembilan

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

North Area

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

Pulau Pinang

Lebuh Bishop Branch
64E-H, Lebuh Bishop
10200 Pulau Pinang
Tel: 04-258 8000
Fax: 04-261 0868
Manager: Phuah Ah Keng

Jalan Kelawei Branch
9, Jalan Kelawei
10250 Pulau Pinang
Tel: 04-226 1777
Fax: 04-226 2382
Manager: Koay Jin Hee Jean

Butterworth Branch
4071 & 4072, Jalan Bagan Luar
12000 Butterworth
Tel: 04-314 8000
Fax: 04-332 4300
Manager: Lee Gim See Julie

Bukit Mertajam Branch
1, Jalan Tembikai, Taman Mutiara
14000 Bukit Mertajam
Tel: 04-537 9898 / 04-538 8233
Fax: 04-530 3818
Manager: Yeong Ai Vee

Branch network

Kedah

Sungai Petani Branch
177 & 178, Jalan Kelab Cinta Sayang
Taman Ria Jaya, 08000 Sungai Petani
Tel: 04-442 8828
Fax: 04-442 9828
Manager: Tia Lee Ping Georgina

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

Kelantan

Kota Bahru Branch
3999, Jalan Tok Hakim
15000 Kota Bahru
Tel: 09-748 2699 / 09-748 3066
Fax: 09-748 4307
Manager: Ameena Beevi Bte Mohamed Saleh

Terengganu

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

South Area

South Area Centre
2, Jalan Wong Ah Fook
80000 Johor Bahru
Tel: 07-223 4241
Fax: 07-226 0892
Area Manager: Koh Boon Huat

Johor

Jalan Wong Ah Fook Branch
2, Jalan Wong Ah Fook
80000 Johor Bahru
Tel: 07-219 6300 / 07-224 1344 / 07-224 1388
Fax: 07-224 3706
Manager: Goh Boon Siang

Taman Molek Branch
26 & 28, Jalan Molek 1/13
Taman Molek, 81100 Johor Bahru
Tel: 07-358 2121
Fax: 07-358 1378
Manager: Teo Choh Meng Ricky

Batu Pahat Branch
Ground Floor, Wisma Sing Long
9, Jalan Zabedah, 83000 Batu Pahat
Tel: 07-432 8999
Fax: 07-433 8122
Manager: Leong Yew Fook

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

Jalan Bakri, Muar Branch
10, Jalan Pesta 1/1
Kg. Kenangan Tun Dr. Ismail (1)
Jalan Bakri, 84000 Muar
Tel: 06-955 5881
Fax: 06-953 1181
Manager: Chua Wei Yih Eric

Kulai Branch
31-1 & 31-2, Jalan Raya
Kulai Besar, 81000 Kulai
Tel: 07-663 1232 / 07-663 1342
Fax: 07-663 5287
Manager: Kek Choon Yian Tracia

Branch network

Sabah

Kota Kinabalu Branch
Bangunan UOB
70, Jalan Gaya, 88000 Kota Kinabalu
Tel: 088-319 555
Fax: 088-314 888
Manager: Chua Chai Hua

Tuaran Branch
9 & 10, Jalan Datuk Dusing
89208 Tuaran
Tel: 088-788 567
Fax: 088-788 979
Manager: Chua Chai Hua

Sandakan Branch
2nd Avenue
90000 Sandakan
Tel: 089-212 028 / 089-217 833
Fax: 089-225 577
Manager: Chong Mun Sing

Sarawak

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

Miri Branch
108-110, Jalan Bendahara
98000 Miri
Tel: 085-433 322
Fax: 085-422 221
Manager: Chieng Sui Chin Phyllis

Bintulu Branch
207 & 208, Parkcity Commerce Square (Phase III)
Jalan Tun Ahmad Zaidi, 97000 Bintulu
Tel: 086-312 232
Fax: 086-338 381
Manager: Yii See Chieng Ronny

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

Corporate governance

The Board of United Overseas Bank (Malaysia) Bhd ("UOBM") is fully committed to ensuring that it applies the principles and best practices as set out in the Malaysian Code on Corporate Governance.

Board of Directors

The Board comprises nine distinguished members. Four of the members, namely Mr Wee Cho Yaw, Mr Wee Ee Cheong, Mr Ong Sea Eng Terence and Mr Lee Chin Yong Francis are non-independent non-executive directors, while YABhg Tun Dato' Seri Utama Dr Lim Chong Eu, Mr Ng Kee Wei, Mr Lim Kean Chye and En Abdul Latif Bin Yahaya are independent non-executive directors. Mr Chan Kok Seong is the only non-independent executive director. The directors possess extensive knowledge and expertise in banking, finance, law, business, management and the public sectors and come with varied skills and experience to provide breadth and depth to Board discussions. A director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during meetings.

The Board has oversight responsibility for the business and affairs of UOBM. It sets the overall business direction and provides guidance on UOB (Malaysia)'s strategic plans. The Board delegates the formulation of business policies and day-to-day management to various committees and the Chief Executive Officer. It meets regularly to review UOB (Malaysia)'s business plans and the operating results achieved.

All directors have direct access to the senior management and company secretary for further information and clarification on matters pertaining to the business and operation of the Bank. Directors are also encouraged to attend courses and seminars to upgrade their skills and acquire knowledge to assist them in their roles as directors of the Bank and may seek independent professional advice on any matter concerning the Bank, the costs of which are borne by the Bank. New directors are briefed on the Bank's objectives, business and operations, and corporate governance practices upon taking office.

The Board meets at least six times a year. The attendance of every Board member at the meetings of the Board and the various Board Committees is as set out below:

	Number of meetings attended in 2009					
	Board of Directors	Executive Committee	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
Wee Cho Yaw	4	N/A	N/A	N/A	-	-
Wee Ee Cheong	6	31	N/A	N/A	N/A	N/A
Ong Sea Eng Terence	6	N/A	3	4	N/A	1
Lee Chin Yong Francis	5	28	N/A	N/A	1	1
YABhg Tun Dato' Seri Utama Dr Lim Chong Eu	5	N/A	3	N/A	N/A	N/A
Ng Kee Wei	5	N/A	4	3	N/A	1
Lim Kean Chye	6	N/A	N/A	N/A	1	1
Abdul Latif Bin Yahaya	6	N/A	4	4	N/A	N/A
Chan Kok Seong	6	34	N/A	N/A	N/A	N/A
Number of meetings held in 2009	**6**	**35**	**4**	**4**	**1**	**1**

Board Committees

There are currently five Board Committees appointed by the Board, namely the Executive Committee, Audit Committee, Risk Management Committee, Remuneration Committee and Nominating Committee. The role and responsibilities of each committee is set out under the respective committees' terms of reference, which have been approved by the Board. Details of the membership of the five Board Committees are set out on page 6.

Corporate governance

Executive Committee
The Executive Committee ("EXCO") was established by the Board principally to assist the Board in making decisions expeditiously and to exercise certain authorities and functions delegated to it by the Board. The EXCO schedules meetings on a weekly basis, and has been given delegated authority to exercise certain of the Board's powers.

The Chief Executive Officer is responsible for the day-to-day operations of UOB (Malaysia). The Board has conferred upon the EXCO and the Chief Executive Officer certain discretionary limits and authority for credit and loan approvals, treasury and investment activities, capital expenditure, budgeting and human resource management.

Audit Committee
The role of the Audit Committee ("AC") is to assist the Board to examine financial reports, accounting policies and oversee audit matters. The AC meets at least four times a year. Additional meetings may be called by the Chairman of the AC to discuss specific audit issues if necessary.

The AC meets with the external auditors annually to discuss the annual financial statements and their audit findings. It also meets with the external auditors whenever it deems necessary.

The minutes of the AC meetings are formally tabled to the Board for noting and for action where necessary.

In addition to the duties and responsibilities approved by the Board, the AC acts as a forum for discussion on internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems. The AC also conducts a review of the internal audit function to ensure the adequacy of the scope, functions and resources of Internal Audit Division and that it has the necessary authority to carry out its work impartially.

Risk Management Committee
The role of the Risk Management Committee ("RMC") is to assist the Board to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning. During the year, the RMC had four meetings.

The RMC meets with the Chief Executive Officer and other senior management staff whenever it deems necessary in order to obtain their assistance in discharging their responsibilities.

The minutes of the RMC meetings are formally tabled to the Board for noting and for action where necessary.

Remuneration Committee
The role of the Remuneration Committee ("RC") is to provide a formal and transparent procedure for developing remuneration policy for directors, the Chief Executive Officer and key senior management officers and to ensure that compensation is competitive and consistent with the licensed institution's culture, objectives and strategy. During the year, the RC met once.

The RC may meet with the Chief Executive Officer and other senior management staff whenever it deems necessary in order to obtain their assistance in discharging their responsibilities.

Nominating Committee
The Nominating Committee ("NC") is to provide a formal and transparent procedure for the appointment of directors and chief executive officer as well as assessment of the effectiveness of individual directors, the board as a whole and the performance of the Chief Executive Officer and key senior management officers. During the year, the NC had one meeting.

The NC may meet with the Chief Executive Officer and other senior management staff whenever it deems necessary in order to obtain their assistance in discharging their responsibilities.

Corporate governance

Financial Reporting
In presenting the annual accounts and quarterly announcements, the Board is committed to present a balanced, clear and understandable assessment of the financial position and prospect of the Bank. The Board is assisted by the Audit Committee to oversee the Bank's financial reporting by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness.

The Statement of Responsibility by Directors in respect of preparation of the annual audited financial statements of the Bank is set out on page 27.

Internal Audit
The Bank has a well-established internal audit function which reports to the AC functionally and to the Director and Chief Executive Officer administratively. It operates within the framework defined in its Audit Charter and assists the Board in assessing and reporting on business risks and internal controls of the Bank.

Internal Audit inspects the Bank's units and operations, including its subsidiaries, according to a risk-based audit plan which is reviewed annually to ensure its continued relevance to the business and risk environment before being tabled to the AC for approval. Its responsibilities include but are not limited to the audits of operations, lending practices, financial controls, management directives, regulatory compliance, information technology and the risk management process of the Bank.

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

Risk management

As the management of risk is fundamental to the financial soundness and integrity of the Bank, risk evaluation forms an integral part of the Bank's business strategy development. The Bank's risk management philosophy is that all risks taken must be identified, measured, monitored and managed within a robust risk management framework and that returns must commensurate with the risks taken.

The Board of Directors has the overall responsibility of determining the type and level of business risks that the Bank undertakes in achieving its corporate objectives. The Board has delegated to various committees the authority to formulate, review and approve policies on monitoring and managing risk exposures. The major policy decisions and proposals on risk exposures approved by these Committees are subject to review by the EXCO or the Board. The Board has appointed the Risk Management Committee to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning.

The various committees comprise top management and senior executives of the Bank who meet regularly to deliberate on matters relating to the key types of risks under their respective supervision. The key risks are credit risk, balance sheet risk, liquidity risk, market risk and operational and reputational risk.

The **In-Country Credit Committee** deals with approval of credit applications and review of existing credit portfolio.

The **Credit Management Committee** deals with all credit risk matters, including formulation and review of credit policies and assessment of risk profiles.

The **Asset and Liability Committee** ("ALCO ") formulates, reviews and approves policies and strategies regarding the balance sheet structure, liquidity needs and trading activities.

The **Risk Management Division** acts as catalyst for the development and maintenance of sound risk management policies, strategies and procedures within the Bank. The Division is independent of other business units in the Bank which are involved in risk taking activities. The Division also provides functional support to both the ALCO and Credit Management Committee as well as assisting the Management in managing risks inherent to the Bank.

Credit Risk Management

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

Credit risk is the single largest risk faced by the Bank. It is inherent in the activities of the Bank such as loans and lending-related commitments, treasury and capital market operations, and investments. Business units have primary responsibilities for the day-to-day and active management of credit risks.

The EXCO is established by the Board of Directors to formulate the Bank's business strategies and conduct on-going monitoring of the Bank's performance. The EXCO, under delegated authority from the Board of Directors, approves credit policies, guidelines and procedures to control and monitor such risks. It has day-to-day responsibility for identifying and managing portfolio and risk concentration issues, including industry sector exposure. The risk parameters for accepting credit risk are clearly defined and complemented by policies and processes to ensure that the Bank maintains a well diversified and high quality credit portfolio.

For the timely recognition of asset impairment, recovery action and the avoidance of undue concentration, a disciplined process is in place to regularly monitor, review and report the Bank's portfolio risks. These include large credit exposures by obligor groups (also known as counterparty Group Exposure), sectors, security types, internal credit ratings, industries, countries as well as level of non-performing loans, appropriateness of classification and adequacy of provisioning.

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

Risk management

Credit Approval Process

To maintain independence and integrity of the credit approval process, the credit approval function is segregated from credit origination. Credit approval authority is delegated through a risk-based credit discretionary limit ("CDL") structure tiered according to the borrower's rating. The Bank has in place a very stringent process for the delegation of CDLs based on the experience, seniority, and track record of the officer. All officers with the authority to approve credits are guided by credit policies and guidelines with distinction made for institutional and individual borrowers. These credit policies and guidelines, which cover key parameters associated with credit structuring and approval, are periodically reviewed to ensure their continued relevance.

An internal credit rating system, which incorporates both statistical models and expert-judgement scorecards, has been developed, implemented and used as part of the credit approval process. Statistical models were built for portfolios with sufficient default data, and expert judgement scorecards were developed for low default portfolios.

Generally, a borrower is assigned a Customer Risk Rating ("CRR") and an Expected Loss Rating ("ELR"). The CRR is a borrower's standalone credit rating and is derived after a comprehensive assessment of its financial condition, the quality of its management, business risks and the industry it operates in. The ELR incorporates transaction-specific dimensions such as availability and types of collateral, seniority of the exposures, facility structures, etc.

Consumer exposures are managed on a portfolio basis. The Bank has scorecards and stringent product programmes for credit underwriting purposes.

Connected Party Transactions

In 2009, the Bank expanded the policies governing approval of credit facilities with Connected Parties. This is to comply with Bank Negara Malaysia ("BNM")'s guidelines on Credit Transactions and Exposures with Connected Parties, the revised Monetary Authority of Singapore ("MAS") ruling and new section 29 of Singapore Banking Act.

Credit Risk Concentration

Risk concentrations by industry are monitored closely to avoid undue concentration in any particular industry. Industry risk refers to the likelihood of groups of customers being adversely affected by economic developments impacting a particular industry in which such customers operate. Exposure concentrations and non-performing loans by industry type are analysed and significant trends reported to the Credit Management Committee as well as to the EXCO and the Board of Directors.

In particular, the trends and composition of exposures to property-related loans are closely monitored, analysed and reported on an on-going basis to ensure that exposures are kept within regulatory limits and internal guidelines.

Credit Stress Test

To assess the potential loss arising from the impact of plausible adverse events on the Bank's credit portfolio, credit stress test are periodically conducted. The extent of the plausible credit impairments is analysed to determine if the potential losses are within the Bank's risk tolerance.

The Bank incorporates periodic credit stress testing as an integral part of its portfolio management process. This allows the Bank to assess the potential credit losses arising from the impact of plausible adverse events.

Basel II

Over the last few years, as part of the Bank's plans to adopt best practices in risk management, substantial investments, significant progress were made to align with the requirements of the International Convergence of Capital Measurement and Capital Standards framework (Basel II). This effort included investments in human resources, IT systems, processes, and the development of internal models to estimate risk.

The Bank has received approval from BNM to migrate to the Internal Rating Based Approach ("IRBA") in the management of its credit exposures with effect from 1 January 2010. Significant changes have also been made to the Bank's organisational structure, policies and procedures to ensure that internal risk ratings are integral to the Group's credit decision and management processes.

At the same time, the Bank has mapped all its business activities to the business lines defined by Basel II under the Standardised Approach for operational risk. To complement these initiatives, work is in progress in our parent bank to develop and implement a process to assess the adequacy of the Bank's capital to support the risks inherent to its core banking activities.

The Bank remains committed to strengthening and investing in its risk management systems, processes and procedures to adopt best practices in its risk management framework.

Risk management

Management Of Performing Loans, Non-Performing Loans And Cumulative Provisions

The Bank classifies its loan portfolios according to the borrower's ability to repay the loan from its normal source of income. All loans and advances to customers are classified into the categories of 'Pass', 'Special Mention' or 'Non-Performing'. Non-Performing Loans are further classified as 'Substandard', 'Doubtful' or 'Loss' in accordance with BNM GP3, except the Bank has lowered the default period to three months instead of six months. Interest income on all Non-Performing Loans is suspended. Such loans will remain classified until servicing of the account is satisfactory. Classified loans are transferred to Special Assets Management to maximise recovery prospects.

Loan Classification	Description
Pass	All payments are current and full repayment of interest and principal from normal sources is not in doubt.
Special Mention	There is potential weakness in the borrower's creditworthiness, but the extent of any credit deterioration does not warrant its classification as a Non-Performing Loan.
Substandard	There is weakness in the borrower's creditworthiness that jeopardises normal repayment. Default has occurred or is likely to occur or the repayment schedule has been restructured. A credit (except consumer loan) is greater than 90 days past due but less than 270 days past due. Consumer loan greater than 90 days but less than 120 days past due falls under this classification.
Doubtful	A credit (except consumer loan) is greater than 270 days past due but less than 365 days past due. Consumer loan greater than 120 days but less than 180 days past due falls under this classification.
Loss	A credit (except consumer loan) is greater than 365 days past due. Consumer loan greater than 180 days past due falls under this classification.

Specific provisions are made for each loan grade in the following manner:

Loan Classification	Provision
Substandard	20% of any unsecured loan outstanding less interest-in-suspense
Doubtful	50% of any unsecured loan outstanding less interest-in-suspense
Loss	100% of any unsecured loan outstanding less interest-in-suspense

A classified account is written off where there is no realisable tangible collateral securing the account and all feasible avenues of recovery have been exhausted.

Bank Non-Performing Loans And Cumulative Provisions

The following table depicts the Bank's comparative Non-Performing Loans ("NPLs") and cumulative specific and general provisions as at 31 December 2008 and 31 December 2009:

	The Bank	
	Dec 2009 RM'000	Dec 2008 RM'000
Total NPLs	**1,020,358**	1,197,845
General provision	**434,669**	427,189
Total specific provision	**283,602**	426,112
Cumulative provision	**718,271**	853,301
Ratios (%)		
NPLs/Gross total loans	**3.6%**	4.2%
NPLs/Net total loans	**2.6%**	2.8%
Cumulative provisions/NPLs	**70.4%**	71.2%

Rescheduled And Restructured Accounts

A rescheduled account is one where repayment terms have been modified, but the principal terms and conditions of the original contract have not changed significantly. This is done to alleviate a temporary cash flow difficulty experienced by a borrower. It is expected that the problem is short-term and not likely to recur. The full amount of the debt is still repayable and no loss of principal or interest is expected.

When an account has been rescheduled three months before it meets the criteria for auto classification, the account can be graded as 'Performing'. However, if the rescheduling takes place after the account has been graded as 'Non-Performing', it remains as such and is upgraded to 'Pass' after six months, there are no excesses and past dues.

A restructured account is one where the original terms and conditions of the facilities have been modified significantly to assist the borrower to overcome financial difficulties where the longer-term prospect of the business or project is still deemed to be viable. A restructuring exercise could encompass a change in the credit facility type, or in the repayment schedule including moratorium, or extension of interest and/or principal payments and reduction of accrued interest, including forgiveness of interest and/or reduction in interest rate charged.

When an account has been restructured based on financial consideration, the account will be graded as 'Non-Performing'. It can only be upgraded to 'Pass' after six months when all payments are current in terms of the restructured terms and conditions and there is no reasonable doubt as to the ultimate collectability of principal and interest.

Special Asset Management

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

Interest Rate Risk Management In Banking Book

The ALCO, under delegated authority from the Board of Directors, approves policies, strategies and limits in relation to the management of structural balance sheet risk exposures. At a tactical level, the Bank’s Global Market and Investment Management (“GMIM”) Division is responsible for the effective management of balance sheet risk in accordance with approved balance sheet risk management policies. This risk is monitored and managed within a framework of approved policies and limits, and is reported monthly to ALCO. The decisions of ALCO and highlights of its monthly risk management reports are reviewed by the Bank's Board of Directors and Risk Management Committee.

The primary objective in managing balance sheet risk is to manage the volatility in net interest income (“NII”) and economic value of equity (“EVE”). EVE is the present value of the Group’s assets less the present value of the Bank’s liabilities.

Interest rate risk in the banking book arises from customers’ preferences and characteristics in the booking of assets and liabilities, which result in a mismatch in the interest repricing and maturity dates of these assets and liabilities. The Bank assesses the impact of changes in interest rates over time on the banking book by projecting the corresponding changes in NII and EVE of the Bank. The primary objective of interest rate risk management, therefore, is to monitor and avert significant volatility in NII and EVE.

The table in note 36 to the financial statements represents the Bank’s interest rate risk sensitivity based on repricing mismatches as at 31 December 2009. A positive interest rate sensitivity gap exists where more interest sensitive assets than interest sensitive liabilities reprice during a given time period. Conversely, a negative interest rate sensitivity gap exists where more interest sensitive liabilities than interest sensitive assets reprice during a given time period. As at 31 December 2009, the Bank had an overall positive interest rate sensitivity gap of RM4,412 million, excluding non-interest sensitive items. This being a static position, the actual effect on NII will depend on a number of factors, including variations in interest rates within the repricing periods, variations among currencies, and the extent to which repayments are made earlier or later than the contracted dates.

The risks arising from the trading book, for example, interest rates, foreign exchange rates and equity prices are managed and controlled under the market risk framework that is discussed under the section, ‘Market Risk Management’.

Liquidity Risk

Liquidity risk is defined as the risk to the Bank’s earnings or capital arising from its inability to meet its financial obligations as they fall due, without incurring significant costs or losses. Liquidity risk arises from the general funding of the Bank’s banking activities and in the management of its assets and liabilities, including off-balance sheet items. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet deposit withdrawals and loan disbursements, participation in new investments, and repayment of borrowings. Hence, liquidity is managed to address known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of policies, controls and limits approved by the Bank's ALCO which are in line with the policies of UOB and which are also adequate to meet the requirements under Bank Negara Malaysia's New Liquidity Framework. These policies, controls and limits ensure that the Bank maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The management of liquidity is carried out using a prudent strategic approach to manage the Bank's funding requirements.

Aligning to the regulatory liquidity risk management framework, liquidity risk is measured and managed on a projected cash flow basis. The Bank is monitored under “business as usual”, “bank-specific crisis” and “general market crisis” scenarios. Cash flow mismatch limits are established to limit the Bank’s liquidity exposure. The Bank has also employed liquidity early warning indicators and established trigger points to signal possible contingency situations. At the tactical level, the Bank’s Global Markets & Investment Management (“GMIM”) Division’s Asset Liability Management unit is responsible for the active management of cash flows in accordance with the Bank’s approved liquidity risk management policies and limits.

Liquidity contingency funding plans are in place to identify potential liquidity crises through early warning indicators; detailing crisis escalation process and the various strategies including funding and communication strategies to be taken to minimise the impact of a liquidity crunch. Although the Bank has self-sufficient funding capabilities, the Group’s Head Office in Singapore would meet the Bank’s requirements should the need arise.

Market Risk Management

Market risk is defined as the potential loss in market value of a given portfolio that can be expected to be incurred arising from adverse movement in the level of market prices or rates, the three key components being interest rate risk, foreign currency risk and equity risk.

Market risk is managed using a framework of risk management processes based on market risk policies and practices, the control structure with appropriate delegation of authority and market risk limits, and the validation of valuation and risk models, which is performed by the Head Office in Singapore. In addition, robust risk architecture as well as new product/service programme process ensure that market risk issues identified are adequately addressed prior to launch. Management of derivative risk is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

The market risk appetite is based on the targeted revenue and takes into account the capital position of the Group and Bank to ensure it remains well-capitalised under stressful circumstances. The appetite is translated to risk limits that are delegated to business units. The risk limits have proportional returns that are commensurate with the risk taken.

The Group adopts a daily Value-at-Risk (“VaR”) to estimate market risk within a 99% confidence interval using the historical simulation method. The methodology does not make assumptions on the distribution of returns and the correlation between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements. These VaR estimates are backtested against profit and loss of the trading book to validate the robustness of the methodology.

To complement the VaR measures, stress and scenario tests are performed on the trading portfolio to identify the Bank’s vulnerability to event risks. The tests serve to provide early warning of plausible extreme losses to facilitate proactive management of market risks.

The monitoring of market risk trading limits and the reporting of any limit excess are carried out independently by the Middle Office, which is responsible to monitor, control and report all market and liquidity risk exposures arising from the activities and operations of UOBM GMIM, including daily Mark to Market valuation of GMIM product exposures.

Operational Risk

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

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

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

A database of operational risk events and losses has been established to facilitate the use of advanced approaches for quantification of operational risks. The analysis of loss trends and root causes of loss events helps in strengthening the internal control environment.

A Group Insurance Programme is in place to effectively mitigate the risk of high-impact operational losses.

A Product/Services Programme ensures that risks associated with the introduction of new products and services are identified, analysed, addressed prior to launch and subjected to periodic review. The Product Committee also reviews product suitability, product risk disclosures and reputation issues associated with the distribution of retail investment products. For online products and services, extra care and precautionary measures are implemented to protect customers' confidentiality and interests.

With the increasing need to outsource for cost and operational efficiency, the Group's Outsourcing Policy and Framework ensures that outsourcing risks are adequately identified and managed prior to entering new arrangements and after.

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

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

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

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

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2009.

Principal activities
The principal activities of the Bank during the year are banking and related financial services. The principal activities of the subsidiaries and the associates are set out in Notes 10 and 11 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year other than the commencement of property investment holding activities of UOB (2006) Bhd.

Results

	Group RM'000	Bank RM'000
Profit before taxation	688,482	701,117
Income tax expense	(168,358)	(168,355)
Profit for the year	520,124	532,762

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

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

Dividends
The amount of dividends paid by the Bank since 31 December 2008 was as follows:

	RM'000
In respect of the financial year ended 31 December 2008 as reported in the directors' report for that year, a final dividend of 7.9% less 25% taxation, on 470 million ordinary shares, paid on 11 April 2009.	27,848

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2009, of 7.9% less 25% taxation on 470 million ordinary shares of RM1 each, amounting to a dividend payable of RM27,847,500 will be proposed for shareholders' approval. The financial statements of the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2010.

Directors
The names of the directors of the Bank in office since the date of the last report and at the date of this report are:
Wee Cho Yaw
Wee Ee Cheong
YABhg Tun Dato' Seri Utama Dr Lim Chong Eu
Ng Kee Wei
Lim Kean Chye
Lee Chin Yong Francis
Ong Sea Eng Terence
Chan Kok Seong
Abdul Latif Bin Yahaya
Datuk Abu Huraira Bin Abu Yazid (appointed on 5 February 2010)

Directors' report

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 27 to the financial statements or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Executive Share Options Scheme of United Overseas Bank Limited

(a) On 6 October 1999, the ultimate holding company's shareholders approved the adoption of the "UOB ESOS" scheme to replace the previous Executives' Share Option Scheme. Under the UOB ESOS scheme, options may be granted to employees in the corporate grade of Vice President (or an equivalent rank) and above and selected employees below the corporate grade of Vice President (or an equivalent rank), and to directors and controlling shareholders. Particulars of the share options granted under this scheme in 2004 (hereinafter called "Options 2004") have been set out in the ultimate holding company's directors' report for the financial year ended 31 December 2009.

(b) The share options which were granted pursuant to the UOB ESOS carry the right to subscribe for new ordinary shares of United Overseas Bank Limited at the following prices:

Options	Option period	Offer price S$
2004	29 November 2005 to 28 November 2009	13.67

(c) The Scheme which was adopted by the Bank in October 1999 had been phased out in November 2009. During the financial year, no option was granted to employees or directors of the Bank.

Restricted Shares and Share Appreciation Rights Plan

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

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

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

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

Subject to the achievement of pre-determined Return On Equity ("ROE") targets, 25% of the RS and SAR of the 2007 and 2008 grants and 50% of the 2009 grant, will vest after two years and the remainder after three years from the dates of grant.

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

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

Directors' report

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

		1.1.2009	Number of Ordinary Shares of S$1 Each Acquired	Disposed	31.12.2009
Ultimate holding corporation: United Overseas Bank Limited					
Wee Cho Yaw	- Direct	16,390,248	-	-	16,390,248
	- Indirect	247,208,142	1,000,000	-	248,208,142
Wee Ee Cheong	- Direct	2,865,357	-	-	2,865,357
	- Indirect	146,064,793	1,000,000	-	147,064,793
Ng Kee Wei	- Direct	447,582	-	-	447,582
Lim Kean Chye	- Direct	117	-	-	117
Lee Chin Yong Francis	- Direct	-	25,000	25,000	-
Ong Sea Eng Terence	- Indirect	5,000	-	-	5,000
Chan Kok Seong	- Direct	-	30,000	-	30,000

		1.1.2009	Number of preference shares of S$100 each Acquired	Disposed	31.12.2009
Ultimate holding corporation: United Overseas Bank Limited					
Wee Cho Yaw	- Direct	155,900	-	155,900	-
	- Indirect	-	167,700	-	167,700
Wee Ee Cheong	- Direct	20,000	-	-	20,000
	- Indirect	-	167,700	-	167,700
Ong Sea Eng Terence	- Indirect	10,000	-	9,700	300

		1.1.2009	Number of options over ordinary shares of S$1 each under UOB ESOS Granted	Exercised	31.12.2009
Ultimate holding corporation: United Overseas Bank Limited					
Lee Chin Yong Francis	- Direct	25,000	-	25,000	-

		1.1.2009	Number of options over ordinary shares of S$1 each under UOB restricted share plan Granted	Lapsed	31.12.2009
Ultimate holding corporation: United Overseas Bank Limited					
Lee Chin Yong Francis	- Direct	39,759	21,550	2,011	59,298
Ong Sea Eng Terence	- Direct	34,560	21,050	1,716	53,894
Chan Kok Seong	- Direct	17,283	9,750	844	26,189

Directors' interests (continued)

		1.1.2009	Number of options over ordinary shares of S$1 each under UOB share appreciation rights plan Granted	Lapsed	31.12.2009
Ultimate holding corporation: United Overseas Bank Limited					
Lee Chin Yong Francis	- Direct	168,605	40,900	8,536	200,969
Ong Sea Eng Terence	- Direct	146,689	39,950	7,284	179,355
Chan Kok Seong	- Direct	73,344	18,450	3,580	88,214

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

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

Holding companies

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

Business strategy for the financial year ended 31 December 2009

Despite the challenging economic and financial environment, the Bank has achieved satisfactory results for 2009.

During the year, the Bank continues to focus on growing its SME and consumer banking businesses, contain costs and actively manage risks.

For our Consumer Banking business, the Bank registered a healthy loan growth of 9% while individual current and saving accounts deposits grew by 23%. For Bancassurance products, UOB Malaysia was ranked number two for total new bancassurance business (Source: Life Insurance Association of Malaysia for Jun-08 report). Unit trust sales was slow in first half 2009 but picked up in the second half. The Bank’s ongoing efforts in providing unit trust products that meet the needs of its customers were rewarding where it ended the year as one of the leading Institutional Unit Trust Agent ("IUTA") in the market. With a full range of products and services catered for its high net worth customers, the Bank managed to grow its Privilege Banking customer base by 23% in 2009.

For the larger SME customers, the Bank continued to support the financing needs of existing customers with strong credit standing and grow. Apart from financing, the Bank was strongly positioned to deliver a comprehensive suite of cash management, trade finance and custody solutions to help customers manage their cash flows, liquidity and supply chain needs effectively. For its retail SME customers, the Bank offered innovative and comprehensive product packages for working capital financing and financing for asset acquisition.

In line with the Bank’s efforts in enhancing the cash management solutions, the Bank has developed the capability to electronically clear Singapore Dollar ("SGD") cheques drawn on banks in Singapore through the UOB Express Cheque Clearance Service reducing the clearing time from at least five days to just three days. The Bulk Commercial Cheque Issuance Service provides customers with the capability of a personalised and flexible cheque writing service. Meanwhile, the Bank continued to grow its Current/Savings Account (“CASA”) deposits base via the Overnight Deposit Services ("ODS") offering.

The Bank has prudently managed its costs to contain the overall costs to below the 2008 level. One initiative was to embark on server virtualisation and consolidation to improve the Bank’s system efficiency and service levels, at the same time reduce energy consumption. The Bank will continue to move towards greater energy efficiency and play our part in corporate social responsibility with this green computing strategy.

The current transformation exercise of the UOB Group will result in a stronger regional bank that will be able to offer our customers the best of the Group’s regional capabilities across all countries the Group operate in, including Malaysia.

Directors' report

Outlook for the financial year ending 31 December 2010
The economic recovery is expected to gather strength in 2010. GDP is expected to turn to a positive growth of 4% to 5%. This will be driven primarily by domestic demand, with private expenditure contributing a growing share while the gradual recovery in external demand will provide further support for growth.

The Government's stimulus packages will continue into 2010 and will provide positive outlook to the construction industry, public infrastructural expenditures, manufacturing turnaround, improved services trade and higher domestic spending which will indirectly have a positive impact to the overall business of the Bank.

With further financial sector liberalisation, additional banking licenses will be granted and the competition among banks will intensify with adverse impact on margins.

The Bank recognises the challenges ahead and is confident of turning in a satisfactory performance in 2010.

Rating by external rating agencies
RAM had reaffirmed the Bank's long term rating at AA1 and its short term rating at P1.

An "AA" rating is defined by RAM as being able to offer high safety for timely repayment of financial obligations. The subscript "1" in this category indicates the higher end in the "AA" category. A P1 rating is defined by RAM as obligations which are supported by a superior capacity for timely repayment.

Other statutory information

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

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

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

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

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

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

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

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

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

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

(ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year.

Other statutory information (continued)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet their obligations when they fall due; and

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

Significant event

As part of the Bank's exercise in consolidating its properties under property holding and management company for more effective management and to facilitate future property transactions, on 21 December 2009, UOB (Malaysia) entered into a sale and leaseback transaction for all its properties to be disposed to one of its subsidiary companies, UOB (2006) Bhd at market value of RM176 million.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 March 2010.

Wee Cho Yaw

Chan Kok Seong

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Wee Cho Yaw and Chan Kok Seong, being two of the directors of United Overseas Bank (Malaysia) Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 83 are drawn up in accordance with provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2009 and of the results and cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 March 2010.

Wee Cho Yaw

Chan Kok Seong

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Chan Kok Seong, being the director primarily responsible for the financial management of United Overseas Bank (Malaysia) Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 83 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act,1960.

Subscribed and solemnly declared by the
abovenamed Chan Kok Seong
at Kuala Lumpur in the Federal Territory
on 3 March 2010

Chan Kok Seong

Before me,

R. Vasugi Ammal
Commissioner for Oaths

Independent auditors' report to the member of United Overseas Bank (Malaysia) Bhd

for the year ended 31 December 2009

Report on the financial statements

We have audited the financial statements of United Overseas Bank (Malaysia) Bhd ("the Bank"), which comprise the balance sheets as at 31 December 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 83.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2009 and of their financial performance and cash flows for the year then ended.

Independent auditors' report to the member of United Overseas Bank (Malaysia) Bhd

for the year ended 31 December 2009

Report on other legal and regulatory requirements

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

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

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
3 March 2010

Balance sheets

as at 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Bank 2009 RM'000	Bank 2008 RM'000
Assets					
Cash and short-term funds	3	**6,147,787**	7,846,411	**6,147,787**	7,846,411
Securities purchased under resale agreements		**899,531**	98,921	**899,531**	98,921
Deposits and placements with financial institutions	4	**400,000**	748,301	**400,000**	748,301
Held-for-trading securities	5	**1,809,646**	1,074	**1,809,646**	1,074
Available-for-sale securities	6	**4,892,097**	3,616,172	**4,892,097**	3,616,172
Loans, advances and financing	7	**27,749,652**	27,586,016	**27,925,412**	27,586,016
Other assets	8	**275,246**	286,048	**275,788**	286,616
Statutory deposits with Bank Negara Malaysia	9	**8,250**	733,500	**8,250**	733,500
Investment in subsidiaries	10	**-**	-	**51**	51
Investment in associates	11	**159,418**	164,632	**122,733**	122,733
Investment properties	12	**8,640**	8,820	**-**	8,820
Property, plant and equipment	13	**228,151**	238,036	**108,146**	237,668
Prepaid land lease payments	14	**40,930**	41,590	**-**	41,590
Deferred tax assets	15	**135,666**	55,946	**135,677**	55,964
Total assets		**42,755,014**	41,425,467	**42,725,118**	41,383,837
Liabilities and equity					
Deposits from customers	16	**31,557,474**	30,011,882	**31,557,474**	30,011,882
Deposits and placements of banks and other financial institutions	17	**3,969,179**	4,287,077	**3,969,594**	4,287,491
Bills and acceptances payable		**2,854,488**	3,268,531	**2,854,488**	3,268,531
Amount due to Cagamas	18	**109,688**	137,112	**109,688**	137,112
Other liabilities	19	**684,250**	698,624	**683,342**	698,617
Taxation		**83,742**	37,175	**83,741**	37,178
Total liabilities		**39,258,821**	38,440,401	**39,258,327**	38,440,811
Share capital	20	**470,000**	470,000	**470,000**	470,000
Reserves	21	**3,026,193**	2,515,066	**2,996,791**	2,473,026
Shareholders' equity		**3,496,193**	2,985,066	**3,466,791**	2,943,026
Total liabilities and equity		**42,755,014**	41,425,467	**42,725,118**	41,383,837
Commitments and contingencies	33	**46,367,016**	45,607,631	**46,367,016**	45,607,631

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

Income statements

for the year ended 31 December 2009

		Group			Bank
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating revenue	22	**2,055,415**	2,228,866	**2,055,415**	2,228,866
Interest income	23	**1,666,140**	1,960,789	**1,666,140**	1,960,789
Interest expense	24	**(717,365)**	(997,606)	**(717,365)**	(997,606)
Net interest income		**948,775**	963,183	**948,775**	963,183
Other operating income	25	**401,538**	279,976	**408,047**	279,976
Operating income		**1,350,313**	1,243,159	**1,356,822**	1,243,159
Other operating expenses	26	**(502,043)**	(500,993)	**(501,131)**	(500,985)
Operating profit before allowance for losses on loans, advances and financing and provision for commitments and contingencies		**848,270**	742,166	**855,691**	742,174
Allowance for losses on loans, advances and financing	28	**(150,727)**	(226,368)	**(150,727)**	(226,376)
Net provision for commitments and contingencies		**(3,847)**	(589)	**(3,847)**	(589)
Net income		**693,696**	515,209	**701,117**	515,209
Share of (loss)/profit of associates		**(5,214)**	3,260	**-**	-
Profit before taxation		**688,482**	518,469	**701,117**	515,209
Income tax expense	29	**(168,358)**	(129,638)	**(168,355)**	(129,620)
Profit for the year attributable to equity holders of the parent		**520,124**	388,831	**532,762**	385,589
Basic earnings per share (sen)	30	**110.7**	82.7		
Dividends per share (sen)	31	**5.9**	5.9	**5.9**	5.9

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

Consolidated statement of changes in equity

for the year ended 31 December 2009

Group	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserves RM'000	Net unrealised reserve on AFS securities RM'000	Retained profits RM'000	Total RM'000
		<------------------------ Non-distributable				------------------------>	Distributable	
2009								
Balance as at 1 January 2009		**470,000**	**322,555**	**470,000**	**60,804**	**21,745**	**1,639,962**	**2,985,066**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**520,124**	**520,124**
Net unrealised gain on available-for-sale ("AFS") securities		**-**	**-**	**-**	**-**	**9,144**	**-**	**9,144**
Transfer to deferred tax	**15**	**-**	**-**	**-**	**11,993**	**(2,286)**	**-**	**9,707**
Dividends paid: final dividend for the year ended 31 December 2008	**31**	**-**	**-**	**-**	**-**	**-**	**(27,848)**	**(27,848)**
Balance as at 31 December 2009		**470,000**	**322,555**	**470,000**	**72,797**	**28,603**	**2,132,238**	**3,496,193**
2008								
Balance as at 1 January 2008		470,000	322,555	470,000	59,831	(3,247)	1,425,031	2,744,170
Net profit for the year		-	-	-	-	-	388,831	388,831
Net unrealised gain on available-for-sale ("AFS") securities		-	-	-	-	33,323	-	33,323
Transfer to deferred tax	15	-	-	-	973	(8,331)	-	(7,358)
Dividends paid: final dividend for the year ended 31 December 2007	31	-	-	-	-	-	(173,900)	(173,900)
Balance as at 31 December 2008		470,000	322,555	470,000	60,804	21,745	1,639,962	2,985,066

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

Statement of changes in equity

for the year ended 31 December 2009

		<------ Non-distributable				------>	Distributable	
Bank	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Revaluation reserves RM'000**	**Net unrealised reserve on AFS securities RM'000**	**Retained profits RM'000**	**Total RM'000**
2009								
Balance as at 1 January 2009		**470,000**	**322,555**	**470,000**	**75,696**	**21,745**	**1,583,030**	**2,943,026**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**532,762**	**532,762**
Net unrealised gain on AFS securities		**-**	**-**	**-**	**-**	**9,144**	**-**	**9,144**
Transfer to deferred tax	15	**-**	**-**	**-**	**11,993**	**(2,286)**	**-**	**9,707**
Realisation of revaluation reserve upon disposal of land and buildings		**-**	**-**	**-**	**(87,689)**	**-**	**87,689**	**-**
Dividends paid: final dividend for the year ended 31 December 2008	31	**-**	**-**	**-**	**-**	**-**	**(27,848)**	**(27,848)**
Balance as at 31 December 2009		**470,000**	**322,555**	**470,000**	**-**	**28,603**	**2,175,633**	**3,466,791**
2008								
Balance as at 1 January 2008		470,000	322,555	470,000	74,723	(3,247)	1,371,341	2,705,372
Net profit for the year		-	-	-	-	-	385,589	385,589
Net unrealised gain on AFS securities		-	-	-	-	33,323	-	33,323
Transfer to deferred tax	15	-	-	-	973	(8,331)	-	(7,358)
Dividends paid: final dividend for the year ended 31 December 2007	31	-	-	-	-	-	(173,900)	(173,900)
Balance as at 31 December 2008		470,000	322,555	470,000	75,696	21,745	1,583,030	2,943,026

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

Cash flow statements
for the year ended 31 December 2009

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from operating activities				
Profit before taxation	**688,482**	518,469	**701,117**	515,209
Adjustments for:				
Share of loss/(profits) of associates	**5,214**	(3,260)	**-**	-
(Gain)/loss on disposal of property, plant and equipment	**28**	(64)	**(6,481)**	(64)
Depreciation of property, plant and equipment	**38,678**	38,308	**38,606**	38,244
Depreciation of investment properties	**180**	180	**180**	180
Amortisation of prepaid land lease payments	**660**	660	**660**	660
Allowance for losses on loans, advances and financing	**150,727**	226,368	**150,727**	226,376
Net unrealised (gain)/loss on held-for-trading securities and derivatives	**(45,164)**	107,466	**(45,164)**	107,466
Provision for commitments and contingencies	**3,847**	589	**3,847**	589
Dividend income	**(491)**	(1,353)	**(491)**	(1,353)
Interest income from available-for-sale securities	**(151,105)**	(158,870)	**(151,105)**	(158,870)
Gain from sale of available-for-sale securities	**(30,932)**	(20,431)	**(30,932)**	(20,431)
Unrealised foreign exchange loss/(gain)	**28,766**	(46,436)	**28,766**	(46,436)
Loss from sale of held-for-trading securities and derivatives	**23,193**	8,590	**23,193**	8,590
Amortisation of premium less accretion of discount	**24,563**	8,022	**24,563**	8,022
Operating profit before working capital changes	**736,646**	678,238	**737,486**	678,182
(Increase)/decrease in operating assets:				
Loans and advances	**(314,363)**	(2,807,746)	**(490,123)**	(2,807,752)
Held-for-trading securities	**(1,786,601)**	460,367	**(1,786,601)**	460,367
Securities purchased under resale agreements	**(800,610)**	2,331,988	**(800,610)**	2,331,988
Statutory deposits with Bank Negara Malaysia	**725,250**	83,500	**725,250**	83,500
Other assets	**10,802**	133,847	**10,828**	133,785
	(2,165,522)	201,956	**(2,341,256)**	201,888
Increase/(decrease) in operating liabilities:				
Deposits from customers	**1,545,592**	5,578,487	**1,545,592**	5,578,487
Deposits and placements of banks and other financial institutions	**(317,898)**	(429,881)	**(317,897)**	(429,876)
Bills and acceptances payable	**(414,043)**	240,850	**(414,043)**	240,850
Amount due to Cagamas	**(27,424)**	(179,003)	**(27,424)**	(179,003)
Other liabilities	**(46,990)**	29,074	**(47,888)**	29,138
	739,237	5,239,527	**738,340**	5,239,596
Cash (used in)/generated from operations	**(689,639)**	6,119,721	**(865,430)**	6,119,666
Taxation paid	**(191,796)**	(148,850)	**(191,789)**	(148,846)
Net cash (used in)/generated from operating activities	**(881,435)**	5,970,871	**(1,057,219)**	5,970,820

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

Cash flow statements
for the year ended 31 December 2009

		Group			Bank
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**1,701**	3,245	**177,459**	3,245
Purchase of property, plant and equipment		**(30,518)**	(37,888)	**(30,492)**	(37,837)
Interest income from AFS		**151,105**	158,870	**151,105**	158,870
Net sale/(purchase) of AFS		**(1,260,412)**	804,580	**(1,260,412)**	804,580
Dividend received		**482**	1,341	**482**	1,341
Net cash (used in)/generated from investing activities		**(1,137,642)**	930,148	**(961,858)**	930,199
Cash flows from financing activities					
Dividends paid representing net cash used in financing activities		**(27,848)**	(173,900)	**(27,848)**	(173,900)
Net (decrease)/increase in cash and cash equivalents		**(2,046,925)**	6,727,119	**(2,046,925)**	6,727,119
Cash and cash equivalents at beginning of year		**8,594,712**	1,867,593	**8,594,712**	1,867,593
Cash and cash equivalents at end of year		**6,547,787**	8,594,712	**6,547,787**	8,594,712
Analysis of cash and cash equivalents					
Cash and short term funds	3	**6,147,787**	7,846,411	**6,147,787**	7,846,411
Deposits and placements with financial institutions	4	**400,000**	748,301	**400,000**	748,301
		6,547,787	8,594,712	**6,547,787**	8,594,712

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

1. Corporate information

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

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

The principal activities of the Bank during the year are banking and related financial services. The principal activities of the subsidiaries and the associates are set out in Notes 10 and 11 respectively. There have been no significant changes in the nature of the principal activities during the financial year other than the commencement of property investment holding activities of UOB (2006) Bhd.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 3 March 2010.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia Guidelines.

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

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

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRS

The accounting policies adopted by the Group and the Bank are consistent with those adopted in previous years, except for the early adoption of IC Interpretation 13: Customer Loyalty Programmes as of 1 January 2009.

The Group and the Bank had not adopted the following FRS, amendments to FRS and Interpretations which have effective dates as follows:

FRS, Amendments and Interpretations	Effective for financial period beginning on or after
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 101: Presentation of Financial Statements	1 January 2010
FRS 123: Borrowing Costs	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendments to FRS 7: Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 8: Operating Segments	1 January 2010
Amendments to FRS 107: Cash Flow Statements	1 January 2010
Amendments to FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendments to FRS 110: Events After the Balance Sheet Date	1 January 2010
Amendments to FRS 116: Property, Plant and Equipment	1 January 2010
Amendments to FRS 117: Leases	1 January 2010
Amendments to FRS 118: Revenue	1 January 2010
Amendments to FRS 119: Employee Benefits	1 January 2010
Amendments to FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRS (continued)

FRS, Amendments and Interpretations	Effective for financial period beginning on or after
Amendments to FRS 123: Borrowing Costs	1 January 2010
Amendments to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 128: Investments in Associates	1 January 2010
Amendments to FRS 129: Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131: Interests in Joint Ventures	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 134: Interim Financial Reporting	1 January 2010
Amendments to FRS 136: Impairment of Assets	1 January 2010
Amendments to FRS 138: Intangible Assets	1 January 2010
Amendments to FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 140: Investment Property	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
TR i-3: Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010

FRS 4 and Amendments to FRS 129 are not applicable to the Group and the Bank. The other FRS, Amendments and Interpretations above are expected to have no significant impact on the financial statements upon their initial application except for FRS 7 and FRS 139. The Group and the Bank are exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 7 and FRS 139.

2.3 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

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

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(a) Subsidiaries and basis of consolidation

(ii) Basis of consolidation

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

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

(b) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

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

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

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

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

(c) Goodwill

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(d) Recognition of interest income

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

Customers' accounts are classified as non-performing where repayments are in arrears for more than three months from the date of default instead of six months based on the minimum requirements of Bank Negara Malaysia's "Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" guideline for loans and overdrafts, trade bills, bankers' acceptances and trust receipts.

Interest accrued and recognised as income prior to the date the customers' accounts are classified as non-performing shall be reversed out of the income statements and the accrued interest out of the balance sheet. Subsequently, interest earned on non-performing accounts are recognised as income on a cash basis.

(e) Recognition of fees and other income

Loan arrangement, management and participation fees, commissions and service charges/fees are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Dividends from held-for-trading and available-for-sale securities are recognised on a declared basis.

(f) Allowance for losses on loans, advances and financing

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as substandard, bad or doubtful.

A general allowance based on a percentage of the loan portfolio of the Bank is also made to cover possible losses which are not specifically identified.

An uncollectible loan or portion of a loan classified as bad is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

The Bank observes the minimum allowance policy of Bank Negara Malaysia's "Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" guideline except that the Bank has lowered the default period to three months instead of six months.

Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:

(i) assigning 50% of the realisable values of the properties held as collateral for non-performing loans which are in arrears for more than five years but less than seven years; and

(ii) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven years.

The portion of non-performing loans where no realisable value has been assigned will be written off.

Bank Negara Malaysia has granted indulgence to the Group and the Bank from complying with the requirement on the impairment of loans under revised BNM/GP8 in the current and previous financial years.

(g) Repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to re-sell at a future date. The commitment to resell the securities is reflected as an asset on the balance sheet.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(h) Securities

The holding of the securities portfolio of the Group and the Bank are segregated based on the following categories and valuation methods:

(i) Held-for-trading securities

Securities are classified as held-for-trading ("HFT") if they are acquired and held principally for the intention of resale in the near term. The held-for-trading securities will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of held-for-trading securities are recognised in the income statement.

(ii) Available-for-sale securities

Available-for-sale securities ("AFS") are financial assets that are not classified as held-for-trading. The available-for-sale securities are measured at fair value or at amortised cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity. When the financial assets are sold, collected, disposed of or impaired, the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

The estimated fair value is based on quoted and observable market prices at the balance sheet date. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted based on current market rates for similar instruments at the balance sheet date.

(i) Property, plant and equipment, and depreciation

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

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

Freehold land and certain leasehold land are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed once every five years to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

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

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

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

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

(j) Investment properties

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

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

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

(k) Leases

(i) Finance leases

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

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

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

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

(ii) Operating leases

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

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

(l) Derivative financial instruments

Derivative financial instruments are recognised at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivatives is recognised in the income statement.

(m) Foreign currencies

(i) Functional and presentation currency

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(m) Foreign currencies (continued)

(ii) Foreign currency transactions

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

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

(n) Income tax

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

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

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

(o) Employee benefits

(i) Short term employee benefits

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

(ii) Post-employment benefits - Defined contribution plans

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

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements maturing less than one month held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

(q) Other assets

Other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(r) Bills and acceptances payable

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

(s) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(t) Liabilities

Deposits from customers, and deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than investment property and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(v) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The accounting policies for financial instruments recognised on the balance sheet are disclosed in the individual policy statements associated with each item.

(i) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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

2.4 Significant accounting estimates and judgements

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

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

(a) Fair value estimation for securities held-for-trading and securities available-for-sale

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

(b) Deferred tax assets

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

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

(c) Allowances for losses on loans, advances and financing

Whilst the assessment of allowance for losses required for loans, advances and financing is made in accordance with the requirements of BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandards, Bad and Doubtful Debts, the Bank exercises judgement in the valuation of certain collateral when assessing the levels of loan loss allowance required.

(d) Impairment of assets

Assessment of impairment of securities available-for-sale is made in line with the guidance in the revised BNM/GP8 to determine when the investment is other than temporarily impaired. Management judgement is required to evaluate the duration and extent by which the fair value of the financial instruments are below its carrying value and when there is indication of permanent impairment in the carrying value of the financial instruments.

3. Cash and short-term funds

	Group and Bank	
	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	**393,363**	339,813
Money at call and deposit placements maturing within one month	**5,754,424**	7,506,598
	6,147,787	7,846,411

4. Deposits and placements with financial institutions

	Group and Bank	
	2009 RM'000	2008 RM'000
Licensed banks	**-**	89,978
Bank Negara Malaysia	**400,000**	-
Other financial institutions	**-**	658,323
	400,000	748,301

5. Held-for-trading securities

	Group and Bank	
	2009 RM'000	2008 RM'000
At fair value:		
Malaysian Government treasury bills	**68,711**	-
Malaysian Government securities	**366,977**	-
Bank Negara Malaysia Bills	**1,310,765**	-
Bankers' acceptances and Islamic accepted bills	**53,191**	-
Cagamas bonds	**10,002**	-
Private debt securities	**-**	1,074
Total held-for-trading securities	**1,809,646**	1,074

6. Available-for-sale ("AFS") securities

	Group and Bank	
	2009 RM'000	2008 RM'000
At fair value:		
Money market instruments:		
Bank Negara Malaysia Bills	**778,994**	639,161
Malaysian Government securities	**2,436,136**	867,320
Negotiable instruments of deposits	**440,000**	920,399
Cagamas bonds	**722,933**	396,136
	4,378,063	2,823,016
Private debt securities of companies incorporated:		
In Malaysia:		
Corporate bonds	**101,482**	235,168
Outside Malaysia:		
Corporate bonds	**373,093**	524,844
	474,575	760,012
Quoted securities:		
Shares of corporations in Malaysia	**4,479**	1,862
Corporate loan stocks	**1,336**	6,069
	5,815	7,931
At cost:		
Unquoted securities:	**33,368**	24,937
Private debt securities	**276**	276
	33,644	25,213
Total available-for-sale securities	**4,892,097**	3,616,172

7. Loans, advances and financing

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Overdrafts	**2,432,649**	2,667,272	**2,432,649**	2,667,272
Term loans and revolving credits				
Housing loans	**11,142,582**	10,278,098	**11,142,582**	10,278,098
Syndicated term loans	**216,540**	196,766	**216,540**	196,766
Other term loans/financing*	**8,888,184**	8,977,655	**9,063,944**	8,977,655
Credit cards receivable	**969,407**	946,782	**969,407**	946,782
Bills receivable	**97,864**	109,357	**97,864**	109,357
Trust receipts	**664,854**	824,098	**664,854**	824,098
Claims on customers under acceptance credits	**3,987,881**	4,349,495	**3,987,881**	4,349,495
Staff loans				
Executive directors	**369**	410	**369**	410
Others	**89,456**	100,323	**89,456**	100,323
Others	**186**	11,933	**186**	11,933
	28,489,972	28,462,189	**28,665,732**	28,462,189
Unearned interest	**(22,049)**	(22,872)	**(22,049)**	(22,872)
Gross loans, advances and financing	**28,467,923**	28,439,317	**28,643,683**	28,439,317
Allowance for losses on loans and financing				
Specific	**(283,602)**	(426,112)	**(283,602)**	(426,112)
General	**(434,669)**	(427,189)	**(434,669)**	(427,189)
Net loans, advances and financing	**27,749,652**	27,586,016	**27,925,412**	27,586,016

*Other term loans/financing includes a loan to subsidiary (UOB 2006 Bhd) of RM175,760,000

(i) By maturity structure:				
Maturing within one year	**9,897,627**	11,033,035	**9,897,627**	11,033,035
One year to three years	**956,355**	1,083,307	**956,355**	1,083,307
Three years to five years	**1,169,662**	1,204,312	**1,169,662**	1,204,312
Over five years	**16,444,279**	15,118,663	**16,620,039**	15,118,663
	28,467,923	28,439,317	**28,643,683**	28,439,317
(ii) By type of customer:				
Domestic non-bank financial institutions				
Stockbroking companies	**1**	8	**1**	8
Others	**105,286**	120,728	**105,286**	120,728
Domestic business enterprises				
Small medium enterprises	**6,748,764**	6,736,092	**6,748,764**	6,736,092
Others	**6,238,007**	7,383,104	**6,413,767**	7,383,104
Individuals	**13,262,502**	12,584,469	**13,262,502**	12,584,469
Other domestic entities	**-**	167	**-**	167
Foreign entities	**2,113,363**	1,614,749	**2,113,363**	1,614,749
	28,467,923	28,439,317	**28,643,683**	28,439,317
(iii) By interest/profit rate sensitivity:				
Fixed rate				
Housing loans/financing	**77,395**	99,901	**77,395**	99,901
Other fixed rate loan/financing	**1,383,820**	1,009,148	**1,383,820**	1,009,148
Variable rate				
Base-Lending-Rate (“BLR”) plus	**26,097,508**	25,901,090	**26,097,508**	25,901,090
Cost-plus	**637,576**	862,631	**813,336**	862,631
Other variable rates	**271,624**	566,547	**271,624**	566,547
	28,467,923	28,439,317	**28,643,683**	28,439,317

7. Loans, advances and financing (continued)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(iv) By sector:				
Agriculture, hunting forestry and fishing	**217,815**	104,734	**217,815**	104,734
Mining and quarrying	**13,635**	23,227	**13,635**	23,227
Manufacturing	**4,508,983**	5,299,541	**4,508,983**	5,299,541
Electricity, gas and water	**9,723**	7,669	**9,723**	7,669
Construction	**1,640,355**	1,758,885	**1,640,355**	1,758,885
Wholesale & retail trade and restaurants & hotels	**4,352,009**	4,452,525	**4,352,009**	4,452,525
Transport, storage and communication	**336,670**	554,572	**336,670**	554,572
Finance, insurance and business services	**724,203**	1,056,513	**899,963**	1,056,513
Real estate	**1,195,184**	880,992	**1,195,184**	880,992
Community, social and personal services	**80,756**	88,603	**80,756**	88,603
Households of which:				
purchase of residential properties	**11,721,453**	10,762,690	**11,721,453**	10,762,690
purchase of non residential properties	**1,250,853**	1,171,878	**1,250,853**	1,171,878
others	**2,412,381**	2,275,348	**2,412,381**	2,275,348
Others	**3,903**	2,140	**3,903**	2,140
	28,467,923	28,439,317	**28,643,683**	28,439,317
(v) Movements in non-performing loans, advances and financing are as follows:				
At beginning of the year	**1,197,845**	1,037,482	**1,197,845**	1,037,482
Classified as non-performing during the year	**711,481**	761,139	**711,481**	761,139
Amount recovered	**(343,881)**	(199,143)	**(343,881)**	(199,143)
Reclassified as performing	**(197,008)**	(231,752)	**(197,008)**	(231,752)
Amount written off	**(348,079)**	(169,881)	**(348,079)**	(169,881)
At end of the year	**1,020,358**	1,197,845	**1,020,358**	1,197,845
Specific allowance	**(283,602)**	(426,112)	**(283,602)**	(426,112)
Net non-performing loans, advances and financing	**736,756**	771,733	**736,756**	771,733
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	**2.7%**	2.8%	**2.6%**	2.8%
(vi) Movements in allowance for losses on loans, advances and financing are as follows:				
General allowance				
Balance as at 1 January	**427,189**	384,739	**427,189**	384,739
Allowance made during the year	**7,480**	42,450	**7,480**	42,450
Balance as at 31 December	**434,669**	427,189	**434,669**	427,189
As % of gross loans, advances and financing (excluding loan to Government) less specific allowance	**1.5%**	1.5%	**1.5%**	1.5%

	Group and Bank	
	2009 RM'000	2008 RM'000
Specific allowance		
Balance as at 1 January	**426,112**	341,847
Allowance made during the year	**286,635**	323,730
Amount written back in respect of recoveries	**(77,221)**	(68,885)
Transfer to impairment losses in value of securities	**(3,034)**	-
Amount written off	**(348,890)**	(170,580)
Balance as at 31 December	**283,602**	426,112

7. Loans, advances and financing (continued)

	Group and Bank	
	2009 RM'000	2008 RM'000
(vii) Non performing loans according to economic sectors are as follows:		
Agriculture, hunting, forestry and fishing	**3,522**	3,608
Manufacturing	**371,754**	446,921
Construction	**41,153**	27,516
Wholesale & retail trade and restaurants & hotels	**121,874**	185,839
Transport, storage and communication	**3,641**	7,159
Finance, insurance and business services	**11,366**	73,136
Real estate	**19,250**	12,099
Community, social and personal services	**1,238**	10,172
Households of which:		
purchase of residential properties	**360,787**	303,085
purchase of non residential properties	**20,153**	19,023
others	**65,620**	109,287
	1,020,358	1,197,845

8. Other assets

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Other receivables, deposits and prepayments	**176,412**	159,266	**176,360**	159,214
Derivative financial assets	**14,814**	23,740	**14,814**	23,740
Accrued interest receivable	**44,545**	51,115	**44,545**	51,115
Amount due to subsidiaries	**-**	-	**594**	620
Precious metal accounts (Note (a))	**35,450**	47,878	**35,450**	47,878
Foreclosed properties held for sale (Note (b))	**4,025**	4,049	**4,025**	4,049
	275,246	286,048	**275,788**	286,616

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

The net balance due from customers of the Bank are stated at the gross amounts loaned amounting to RM95,026,000 (2008: RM117,345,000) net of cash collateral received from the customers of RM59,576,000 (2008: RM69,467,000). The amount due to ultimate holding company is classified as other accruals and provisions in other liabilities (Note 19).

Both the gross amounts loaned to customers and the amount due to the ultimate holding company are marked-to-market based on the prevailing prices of the respective precious metals as quoted by the ultimate holding company.

(b) Assets are classified as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Foreclosed properties held for sale are not subject to depreciation.

9. Statutory deposits with Bank Negara Malaysia

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

10. Investment in subsidiaries

	Bank 2009 RM'000	Bank 2008 RM'000
Unquoted shares in Malaysia, at cost	51	51

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

	Paid-up capital RM	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
UOB Smart Solutions Sdn Bhd	10,000	100	100	Outsourcing services
UOF (2009) Berhad (formerly known as United Overseas Finance (Malaysia) Bhd)	2	100	100	Dormant
UOBM Nominees (Tempatan) Sdn Bhd	10,000	100	100	Nominee services
UOBM Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
United Overseas Nominees (Tempatan) Sdn Bhd	20	100	100	Nominee services
United Overseas Nominees (Asing) Sdn Bhd	10,000	100	100	Nominee services
UOB (2006) Bhd	7	100	100	Property holding company
UOB Credit Bhd	2	100	100	Leasing company
UOB 2006 Nominees (Tempatan) Sdn Bhd	10,000	100	100	Dormant
UOB 2006 Nominees (Asing) Sdn Bhd	10,000	100	100	Dormant

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

11. Investment in associates

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted shares, at cost	**122,733**	122,733	**122,733**	122,733
Share of post-acquisition reserves	**36,685**	41,899	**-**	-
	159,418	164,632	**122,733**	122,733

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

	Group's effective interest		Principal activities
	2009 %	2008 %	
OSK-UOB Unit Trust Management Berhad	**30**	30	Trust Management of unit trust funds
Uni.Asia Capital Sdn Bhd	**49**	49	Investment holding company

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

The summarised financial information of the associates are as follows:

	2009 RM'000	2008 RM'000
Assets and liabilities		
Current assets	**526,179**	465,672
Non-current assets	**1,789,230**	1,329,022
Total assets	**2,315,409**	1,794,694
Current liabilities	**751,417**	530,348
Non-current liabilities	**1,201,913**	880,476
Total liabilities	**1,953,330**	1,410,824
Results		
Revenue	**762,082**	825,822
(Loss)/profit before taxation	**(9,485)**	14,218
(Loss)/profit for the year	**(14,617)**	10,447

The amount of goodwill included within the Group's carrying amount of investment in associate is RM19,755,000 (2008: RM19,755,000)

12. Investment properties

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	**8,820**	9,000	**8,820**	9,000
Depreciation charge	**(180)**	(180)	**(180)**	(180)
Disposal	**-**	-	**(8,640)**	-
At 31 December	**8,640**	8,820	**-**	8,820

13. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital Work-in-progress RM'000	Total RM'000
At 31 December 2009							
Cost or valuation							
At 1 January 2009							
At cost	-	-	132,079	208,108	6,153	2,227	348,567
At valuation	31,253	95,926	-	-	-	-	127,179
	31,253	95,926	132,079	208,108	6,153	2,227	475,746
Additions	-	3,635	6,348	16,559	-	3,976	30,518
Disposals	-	-	(586)	(6,726)	-	-	(7,312)
Reclassification	-	1,241	(1,241)	-	-	-	-
At 31 December 2009	31,253	100,802	136,600	217,941	6,153	6,203	498,952
Representing:							
At cost	-	-	136,600	217,941	6,153	6,203	366,897
At valuation	31,253	100,802	-	-	-	-	132,055
At 31 December 2009	31,253	100,802	136,600	217,941	6,153	6,203	498,952
Accumulated depreciation and impairment							
At 1 January 2009	823	6,570	81,515	144,646	4,156	-	237,710
Depreciation charge	-	4,695	9,771	23,335	877	-	38,678
Disposals	-	-	(535)	(5,052)	-	-	(5,587)
Reclassification	-	285	(285)	-	-	-	-
At 31 December 2009	823	11,550	90,466	162,929	5,033	-	270,801
Net carrying amount							
At cost	-	-	46,134	55,012	1,120	6,203	108,469
At valuation	30,430	89,252	-	-	-	-	119,682
At 31 December 2009	30,430	89,252	46,134	55,012	1,120	6,203	228,151

13. Property, plant and equipment (continued)

Group	Freehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital Work-in-progress RM'000	Total RM'000
At 31 December 2008							
Cost or valuation							
At 1 January 2008							
At cost	-	-	119,396	189,513	6,208	5,216	320,333
At valuation	32,632	95,258	-	-	-	-	127,890
	32,632	95,258	119,396	189,513	6,208	5,216	448,223
Additions	-	-	15,349	22,277	262	-	37,888
Disposals	-	-	(2,666)	(3,682)	(317)	(2,989)	(9,654)
Reclassification to prepaid land lease payments	(1,379)	668	-	-	-	-	(711)
At 31 December 2008	31,253	95,926	132,079	208,108	6,153	2,227	475,746
Representing:							
At cost	-	-	132,079	208,108	6,153	2,227	348,567
At valuation	31,253	95,926	-	-	-	-	127,179
At 31 December 2008	31,253	95,926	132,079	208,108	6,153	2,227	475,746
Accumulated depreciation and impairment							
At 1 January 2008	823	1,723	75,200	124,721	3,256	-	205,723
Depreciation charge	-	4,695	8,944	23,491	1,178	-	38,308
Disposals	-	-	(2,629)	(3,566)	(278)	-	(6,473)
Reclassification to prepaid land lease payments	-	152	-	-	-	-	152
At 31 December 2008	823	6,570	81,515	144,646	4,156	-	237,710
Net carrying amount							
At cost	-	-	50,564	63,462	1,997	2,227	118,250
At valuation	30,430	89,356	-	-	-	-	119,786
At 31 December 2008	30,430	89,356	50,564	63,462	1,997	2,227	238,036

13. Property, plant and equipment (continued)

Bank	Freehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital Work-in-progress RM'000	Total RM'000
At 31 December 2009							
Cost or valuation							
At 1 January 2009							
At cost	-	-	131,310	208,352	6,153	2,227	348,042
At valuation	31,253	95,926	-	-	-	-	127,179
	31,253	95,926	131,310	208,352	6,153	2,227	475,221
Additions	-	3,635	6,325	16,556	-	3,976	30,492
Disposals	(31,253)	(100,802)	(586)	(6,724)	-	-	(139,365)
Reclassification	-	1,241	(1,241)	-	-	-	-
At 31 December 2009	-	-	135,808	218,184	6,153	6,203	366,348
Representing:							
At cost	-	-	135,808	218,184	6,153	6,203	366,348
At valuation	-	-	-	-	-	-	-
At 31 December 2009	-	-	135,808	218,184	6,153	6,203	366,348
Accumulated depreciation and impairment							
At 1 January 2009	823	6,570	81,256	144,748	4,156	-	237,553
Depreciation charge	-	4,695	9,723	23,311	877	-	38,606
Disposals	(823)	(11,550)	(535)	(5,049)	-	-	(17,957)
Reclassification	-	285	(285)		-	-	-
At 31 December 2009	-	-	90,159	163,010	5,033	-	258,202
Net carrying amount							
At cost	-	-	45,649	55,174	1,120	6,203	108,146
At valuation	-	-	-	-	-	-	-
At 31 December 2009	-	-	45,649	55,174	1,120	6,203	108,146

13. Property, plant and equipment (continued)

Bank	Freehold land RM'000	Buildings RM'000	Office furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital Work-in-progress RM'000	Total RM'000
At 31 December 2008							
Cost or valuation							
At 1 January 2008							
At cost	-	-	118,678	189,757	6,208	5,216	319,859
At valuation	32,632	95,258	-	-	-	-	127,890
	32,632	95,258	118,678	189,757	6,208	5,216	447,749
Additions	-	-	15,298	22,277	262	-	37,837
Disposals	-	-	(2,666)	(3,682)	(317)	(2,989)	(9,654)
Reclassification to prepaid land lease payments	(1,379)	668	-	-	-	-	(711)
At 31 December 2008	31,253	95,926	131,310	208,352	6,153	2,227	475,221
Representing:							
At cost	-	-	131,310	208,352	6,153	2,227	348,042
At valuation	31,253	95,926	-	-	-	-	127,179
At 31 December 2008	31,253	95,926	131,310	208,352	6,153	2,227	475,221
Accumulated depreciation and impairment							
At 1 January 2008	823	1,723	74,983	124,845	3,256	-	205,630
Depreciation charge	-	4,695	8,902	23,469	1,178	-	38,244
Disposals	-	-	(2,629)	(3,566)	(278)	-	(6,473)
Reclassification to prepaid land lease payments	-	152	-	-	-	-	152
At 31 December 2008	823	6,570	81,256	144,748	4,156	-	237,553
Net carrying amount							
At cost	-	-	50,054	63,604	1,997	2,227	117,882
At valuation	30,430	89,356	-	-	-	-	119,786
At 31 December 2008	30,430	89,356	50,054	63,604	1,997	2,227	237,668

Land and buildings were revalued on 8 December 2009 by Knight Frank, Ooi & Zaharin Sdn Bhd, an independent qualified valuer using the comparative and investment method to reflect the fair value.

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Freehold land	**12,131**	12,131	**-**	12,131
Freehold building	**11,042**	11,448	**-**	11,448
Long leasehold building	**25,883**	26,795	**-**	26,795
	49,056	50,374	**-**	50,374

14. Prepaid land lease payments

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Long term leasehold land				
At 1 January	**41,590**	41,387	**41,590**	41,387
Reclassification from property, plant and equipment	**-**	863	**-**	863
Amortisation for the year	**(660)**	(660)	**(660)**	(660)
Disposal	**-**	-	**(40,930)**	-
At 31 December	**40,930**	41,590	**-**	41,590

15. Deferred tax assets

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	**55,946**	69,728	**55,964**	69,728
Recognised in the income statement (Note 29)	**70,013**	(6,424)	**70,006**	(6,406)
Recognised in equity	**9,707**	(7,358)	**9,707**	(7,358)
At 31 December	**135,666**	55,946	**135,677**	55,964
An analysis of the Group's and the Bank's deferred tax position is as follows:				
Deferred tax assets	**155,114**	95,514	**155,114**	95,512
Deferred tax liabilities	**(19,448)**	(39,568)	**(19,437)**	(39,548)
	135,666	55,946	**135,677**	55,964

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

Deferred tax assets

Group	General allowance for losses on loans, advances and financing RM'000	Others RM'000	Total RM'000
At 1 January 2008	96,185	2,056	98,241
Charged to income statement	10,612	(13,339)	(2,727)
At 31 December 2008	106,797	(11,283)	95,514
Charged to income statement	1,870	57,730	59,600
At 31 December 2009	108,667	46,447	155,114
Bank			
At 1 January 2008	96,185	2,056	98,241
Charged to income statement	10,612	(13,341)	(2,729)
At 31 December 2008	106,797	(11,285)	95,512
Charged to income statement	1,870	57,732	59,602
At 31 December 2009	108,667	46,447	155,114

15. Deferred tax assets (continued)

Deferred tax liabilities

Group	Property, plant and equipment RM'000	Net unrealised reserves on AFS securities RM'000	Revaluation of land and buildings RM'000	Total RM'000
At 1 January 2008	6,875	(1,083)	22,721	28,513
Charged to income statement	3,697	-	-	3,697
Recognised in equity	-	8,331	(973)	7,358
At 31 December 2008	10,572	7,248	21,748	39,568
Charged to income statement	(658)	-	(9,755)	(10,413)
Recognised in equity	-	2,286	(11,993)	(9,707)
At 31 December 2009	9,914	9,534	-	19,448
Bank				
At 1 January 2008	6,875	(1,083)	22,721	28,513
Charged to income statement	3,677	-	-	3,677
Recognised in equity	-	8,331	(973)	7,358
At 31 December 2008	10,552	7,248	21,748	39,548
Charged to income statement	(649)	-	(9,755)	(10,404)
Recognised in equity	-	2,286	(11,993)	(9,707)
At 31 December 2009	9,903	9,534	-	19,437

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

	Group	
	2009 RM'000	2008 RM'000
Unutilised tax losses	**63,190**	63,171
Unabsorbed capital allowances	**11,069**	11,082
	74,259	74,253

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

16. Deposits from customers

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Demand deposits	**5,248,217**	4,329,699
Savings deposits	**2,289,056**	1,819,370
Fixed deposits	**16,508,244**	16,678,220
Negotiable instruments of deposits	**406,467**	508,364
Money market deposits	**6,790,096**	6,003,913
Others	**315,394**	672,316
	31,557,474	30,011,882

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

	2009 RM'000	2008 RM'000
Due within six months	**13,345,012**	13,287,453
Six months to one year	**3,338,468**	3,482,328
One year to three years	**144,911**	311,433
Three years to five years	**86,320**	105,370
	16,914,711	17,186,584

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

	2009 RM'000	2008 RM'000
Business enterprises	**14,587,798**	13,244,422
Individuals	**15,380,057**	15,183,014
Others	**1,589,619**	1,584,446
	31,557,474	30,011,882

17. Deposits and placements of banks and other financial institutions

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	**782,441**	641,692	**782,856**	642,106
Bank Negara Malaysia	**1,763,006**	684,401	**1,763,006**	684,401
Other financial institutions	**1,423,732**	2,960,984	**1,423,732**	2,960,984
	3,969,179	4,287,077	**3,969,594**	4,287,491

18. Amount due to Cagamas

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
At 1 January	**137,112**	316,115
Repayments	**(27,424)**	(179,003)
At 31 December	**109,688**	137,112

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

19. Other liabilities

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Provision for commitments and contingencies (Note (i))	**5,671**	1,825	**5,671**	1,825
Derivative financial liabilities	**146,034**	154,936	**146,034**	154,936
Accrued interest payable	**135,407**	213,220	**135,407**	213,220
Accruals and provisions for operational expenses	**100,229**	69,303	**99,321**	69,296
Other accruals and provisions (Note (ii))	**296,909**	259,340	**296,909**	259,340
	684,250	698,624	**683,342**	698,617

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

	Group 2009	Group 2008	Bank 2009	Bank 2008
At 1 January	**1,825**	1,236	**1,825**	1,236
Provision made during the year	**5,898**	589	**5,898**	589
Amount written back in respect of recoveries	**(2,052)**	-	**(2,052)**	-
At 31 December	**5,671**	1,825	**5,671**	1,825

(ii) Included in other accruals and provisions is an amount due to the ultimate holding company of RM95,026,000 (2008: RM117,345,000) in relation to precious metals on loan to customers of the Bank as disclosed in Note 8.

20. Share capital

	Group and Bank	
	2009 RM'000	2008 RM'000
Authorised:		
2,000,000,000 ordinary shares of RM1 each	**2,000,000**	2,000,000
Issued and fully paid-up:		
470,000,000 ordinary shares of RM1 each	**470,000**	470,000

21. Reserves

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-distributable					
Share premium		**322,555**	322,555	**322,555**	322,555
Statutory reserve	(a)	**470,000**	470,000	**470,000**	470,000
Revaluation reserves		**72,797**	60,804	**-**	75,696
Net unrealised reserves on AFS securities		**28,603**	21,745	**28,603**	21,745
		893,955	875,104	**821,158**	889,996
Distributable					
Retained profits	(b)	**2,132,238**	1,639,962	**2,175,633**	1,583,030
Total reserves		**3,026,193**	2,515,066	**2,996,791**	2,473,026

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

21. Reserves (continued)

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

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the Section 108 balance to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2009 and 2008, the Bank has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

22. Operating revenue

Operating revenue of the Group and the Bank comprise gross interest income after net interest suspended/recovered, fee and commission income, investment income, income from trading of dealing securities, income derived from investment securities, gross dividends, trustee and nominee services and other income derived from banking operations.

23. Interest income

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans and advances				
Interest income other than recoveries from NPLs	**1,281,977**	1,454,483	**1,281,977**	1,454,483
Recoveries from NPLs	**72,305**	76,405	**72,305**	76,405
Money at call and deposit placements with financial institutions	**174,621**	284,122	**174,621**	284,122
Held-for-trading securities	**24,212**	9,601	**24,212**	9,601
Available-for-sale securities	**151,105**	158,870	**151,105**	158,870
Others	**1,867**	1,071	**1,867**	1,071
	1,706,087	1,984,552	**1,706,087**	1,984,552
Amortisation of premium less accretion of discount	**(24,563)**	(8,022)	**(24,563)**	(8,022)
Net interest suspended	**(15,384)**	(15,741)	**(15,384)**	(15,741)
	1,666,140	1,960,789	**1,666,140**	1,960,789

24. Interest expense

	Group and Bank	
	2009 RM'000	2008 RM'000
Deposits and placements of banks and other financial institutions	**72,961**	214,048
Deposits from customers	**627,766**	769,311
Loans sold to Cagamas	**5,729**	8,657
Others	**10,909**	5,590
	717,365	997,606

25. Other operating income

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fee income				
Commission	**81,624**	89,157	**81,624**	89,157
Guarantee fees	**25,281**	25,705	**25,281**	25,705
Service charges and fees	**117,725**	124,100	**117,725**	124,100
Commitment fee	**19,707**	20,143	**19,707**	20,143
Arrangement and participation fees	**2,001**	6,795	**2,001**	6,795
	246,338	265,900	**246,338**	265,900
Investment income				
Loss from sale of held-for-trading securities and derivatives	**(23,193)**	(8,590)	**(23,193)**	(8,590)
Gain from sale of available-for-sale securities	**30,932**	20,431	**30,932**	20,431
Unrealised gain/(loss) on held-for-trading securities and derivatives	**45,164**	(107,466)	**45,164**	(107,466)
Gross dividends from: available-for-sale securities quoted in Malaysia	**491**	1,353	**491**	1,353
	53,394	(94,272)	**53,394**	(94,272)
Other income				
Foreign exchange gain/(loss)				
realised	**113,675**	45,619	**113,675**	45,619
unrealised	**(28,766)**	46,436	**(28,766)**	46,436
Rental income from operating leases, other than those from investment properties	**235**	215	**235**	215
Rental income from investment properties	**600**	600	**600**	600
Gain/(loss) on disposal of property plant and equipment	**(28)**	64	**6,481**	64
Other operating income	**3,797**	3,580	**3,797**	3,580
Others	**12,293**	11,834	**12,293**	11,834
	101,806	108,348	**108,315**	108,348
	401,538	279,976	**408,047**	279,976

26. Other operating expenses

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personnel expenses	**280,217**	273,536	**279,747**	272,266
Establishment related expenses	**114,382**	106,075	**113,311**	105,845
Promotion and marketing related expenses	**22,381**	38,303	**23,177**	40,066
General administrative expenses	**85,063**	83,079	**84,896**	82,808
	502,043	500,993	**501,131**	500,985
Personnel expenses				
Wages, salaries and bonus	**218,127**	213,968	**217,730**	212,884
Defined contribution retirement plan	**34,486**	33,430	**34,433**	33,289
Other employee benefits	**27,604**	26,138	**27,584**	26,093
	280,217	273,536	**279,747**	272,266
Establishment related expenses				
Depreciation of property, plant and equipment	**38,678**	38,308	**38,606**	38,244
Depreciation of investment property	**180**	180	**180**	180
Amortisation of prepaid land lease payments	**660**	660	**660**	660
Hire of equipment	**54**	66	**54**	66
Information technology costs	**12,499**	13,062	**12,499**	13,062
Repair and maintenance	**15,477**	17,474	**15,442**	17,410
Rental of premises	**8,665**	7,569	**8,619**	7,495
Others	**38,169**	28,756	**37,251**	28,728
	114,382	106,075	**113,311**	105,845
Promotion and marketing related expenses				
Advertising and publicity	**12,323**	20,703	**12,322**	20,671
Others	**10,058**	17,600	**10,855**	19,395
	22,381	38,303	**23,177**	40,066
General administrative expenses				
Fees and commissions paid	**38,482**	34,827	**38,430**	34,729
Auditors' remuneration	**482**	485	**474**	477
Others	**46,099**	47,767	**45,992**	47,602
	85,063	83,079	**84,896**	82,808
The above expenditure includes the following:				
Directors' remuneration (Note 27)	**1,666**	1,714	**1,666**	1,714

27. CEO and directors' remuneration

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

	Group and Bank	
	2009 RM'000	2008 RM'000
CEO		
Salary and other remuneration	**752**	758
Bonus	**435**	477
Fees	**40**	40
Benefits-in-kind	**4**	4
Non-executive Directors		
Fees	**435**	435
Total	**1,666**	1,714

27. CEO and directors' remuneration (continued)

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

	No of Directors	
	2009	2008
Executive director:		
RM1,000,000 to RM1,500,000	**1**	1
Non-executive directors:		
RM1 to RM50,000	**3**	2
RM50,001 to RM100,000	**5**	6

28. Allowance for losses on loans, advances and financing

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Allowance for losses on loans, advances and financing:				
(a) Specific allowance				
made in the financial year	**286,635**	323,730	**286,635**	323,730
written back in the financial year	**(77,221)**	(68,885)	**(77,221)**	(68,885)
(b) General allowance				
made in the financial year	**7,480**	42,450	**7,480**	42,450
Bad debts on loans, advances and financing:				
written (back)/off	**(30)**	1,044	**(30)**	1,044
recovered	**(66,137)**	(71,971)	**(66,137)**	(71,963)
	150,727	226,368	**150,727**	226,376

29. Income tax expense

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax:				
Malaysian income tax in respect of current financial year	**219,748**	135,713	**219,738**	135,713
Under/(over)provision in prior years	**18,623**	(12,499)	**18,623**	(12,499)
	238,371	123,214	**238,361**	123,214
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	**(43,186)**	1,422	**(43,179)**	1,414
Deferred tax recognised at different tax rates	**-**	2,459	**-**	2,462
(Over)/underprovision in prior years	**(26,827)**	2,543	**(26,827)**	2,530
	(70,013)	6,424	**(70,006)**	6,406
	168,358	129,638	**168,355**	129,620

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

29. Income tax expense (continued)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before taxation	**688,482**	518,469	**701,117**	515,209
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	**172,120**	134,802	**175,279**	133,954
Effect of changes in tax rates on opening balance of deferred tax	**-**	2,390	**-**	2,390
Deferred tax recognised at different tax rates	**-**	69	**-**	72
Income not subject to tax	**(114)**	(339)	**(114)**	(339)
Expenses not deductible for tax purposes	**1,398**	3,910	**1,394**	3,512
Effects of share of associates' post-tax loss/(profit) included in Group's profit before taxation	**3,158**	(1,238)	**-**	-
Under/(over)provision of tax expense in prior years	**18,623**	(12,499)	**18,623**	(12,499)
(Over)/underprovision of deferred tax in prior years	**(26,827)**	2,543	**(26,827)**	2,530
Tax expense for the year	**168,358**	129,638	**168,355**	129,620

30. Earnings per share

The earnings per ordinary share of the Group has been calculated based on the net profit after taxation of RM520,124,000 (2008: RM388,831,000) and on the number of ordinary shares of RM1 each in issue during the year of 470,000,000 (2008: 470,000,000).

31. Dividends

	Group and Bank			
	2009		2008	
	Net dividend per share sen	Amount of dividend, net of tax RM'000	Net dividend per share sen	Amount of dividend, net of tax RM'000
Proposed final dividend	**5.9**	**27,848**	5.9	27,848

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2009, of 7.9% less 25% taxation on 470,000,000 ordinary shares of RM1 each, amounting to dividend payable of RM27,847,500 (5.9 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2010.

32. Significant related party transactions and balances

(a) Related parties and relationships

The related parties of and their relationship (other than those disclosed in Notes 10 and 11 to the financial statements) with the Bank are as follows:

Related parties	Relationship
United Overseas Bank Limited	Ultimate holding company
Chung Khiaw Bank (Malaysia) Bhd	Holding company
Chung Khiaw Realty Limited	Other related parties

(b) Key management personnel

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

32. Significant related party transactions and balances (continued)

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

	Ultimate holding company RM'000	Subsidiaries RM'000	Associates RM'000	Key management personnel RM'000	Other related companies RM'000
2009					
Income					
Interest on placements, loans and advances	25,629	-	726	117	-
Rental income	41	-	-	-	127
Commission income	42	-	-	-	-
Dividend income	732	-	-	-	-
Gain on disposal of land and buildings	-	6,508	-	-	-
	26,444	6,508	726	117	127
Expenditure					
Interest on deposits	50,916	-	570	714	193
Rental expense	3,000	-	-	-	541
	53,916	-	570	714	734
Amount due from					
Cash and short-term funds	835,020	-	-	-	633
Loans, advances and financing	-	175,760	19,672	4,181	-
Other assets	-	594	-	-	-
	835,020	176,354	19,672	4,181	633
Amount due to					
Deposits from customers	-	415	3,777	25,106	18,476
Deposits and placements of banks and other financial institutions	1,362,519	-	24,518	-	17
Other liabilities	108,965	-	-	-	-
	1,471,484	415	28,295	25,106	18,493
2008					
Income					
Interest on placements, loans and advances	53,784	-	-	134	-
Rental income	40	-	-	-	126
	53,824	-	-	134	126
Expenditure					
Interest on deposits	118,549	-	639	686	244
Rental expense	-	-	-	-	404
	118,549	-	639	686	648

32. Significant related party transactions and balances (continued)

	Ultimate holding company RM'000	Subsidiaries RM'000	Associates RM'000	Key management personnel RM'000	Other related companies RM'000
2008 (continued)					
Amount due from					
Cash and short-term funds	234,406	-	-	-	1,084
Deposits and placements with financial institution	644,431	-	-	-	-
Loans, advances and financing	-	-	-	4,783	-
Other assets	10,841	620	-	-	-
	889,678	620	-	4,783	1,084
Amount due to					
Deposits from customers	-	415	2,767	27,088	12,691
Deposits and placements of banks and other financial institutions	2,882,327	-	22,561	-	17
Other liabilities	149,345	-	-	-	-
	3,031,672	415	25,328	27,088	12,708

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

	Group and Bank	
	2009 RM'000	2008 RM'000
Short-term employee benefits	**8,224**	10,183
Post employment benefits:		
Defined contribution retirement plan	**1,340**	1,630
Share based payment*	**1,808**	1,646
	11,372	13,459

* In the previous financial year, key management personnel of the Bank were granted options to subscribe in shares of the holding company under the Restricted Share Plan and Share Appreciation Rights Plan. As at 31 December 2009 the number of options held by key management personnel under these 2 plans were 46,100 (2008: 59,800) and 87,150 (2008: 251,400), respectively.

33. Commitments and contingencies

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

	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2009			
Direct credit substitutes	**1,382,564**	**1,382,564**	**1,089,443**
Transaction-related contingent items	**1,394,726**	**697,363**	**468,582**
Short-term self-liquidating trade-related contingencies	**422,051**	**84,410**	**78,583**
Irrevocable commitments to extend credit			
maturity more than one year	**1,550,700**	**-**	**-**
maturity less than one year	**12,565,656**	**-**	**-**
Foreign exchange related contracts			
less than one year	**3,532,561**	**62,203**	**18,946**
more than one year to less than five years	**673,234**	**51,192**	**10,238**
Interest rate related contracts			
less than one year	**4,230,129**	**17,350**	**3,470**
more than one year to less than five years	**16,734,931**	**565,851**	**113,170**
five years and above	**1,980,000**	**161,292**	**32,259**
Others	**1,900,464**	**-**	**-**
Total	**46,367,016**	**3,022,225**	**1,814,691**
2008			
Direct credit substitutes	2,030,489	2,030,489	1,979,023
Transaction-related contingent items	1,175,132	587,566	421,497
Short-term self-liquidating trade-related contingencies	314,687	62,937	58,805
Irrevocable commitments to extend credit			
maturity more than one year	2,044,316	1,022,158	838,627
maturity less than one year	12,263,089	-	-
Foreign exchange related contracts			
less than one year	3,064,290	110,378	30,977
more than one year to less than five years	1,231,206	87,163	17,433
Interest rate related contracts			
less than one year	2,817,510	21,955	4,391
more than one year to less than five years	17,347,608	736,183	146,784
five years and above	2,180,162	276,896	55,379
Others	1,139,142	-	-
Total	45,607,631	4,935,725	3,552,916

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.

33. Commitments and contingencies (continued)

Analysis of foreign exchange contracts and interest rate contracts is as follows:

	2009 Principal amount RM'000	2008 Principal amount RM'000
The Group and Bank		
Foreign exchange contract		
forward and futures contracts	**1,713,859**	1,873,180
cross currency interest rate swaps	**2,491,936**	2,422,316
Interest rate contracts		
forward and futures contracts	**60,000**	143,000
swaps	**22,885,060**	22,202,280

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off balance sheet positions. As at end of 31 December 2009 the amounts of contracts which were not hedged and hence, exposed to market risk was RM23,929,967 (2008: RM548,169).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of 31 December 2009, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM25,307,414 (2008: RM82,037,763). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates of prices.

34. Capital commitments

	Group and Bank	
	2009 RM'000	2008 RM'000
Capital expenditure for property, plant and equipment:		
authorised and contracted for	**34,424**	12,704
authorised but not contracted for	**11,831**	19,413
	46,255	32,117

35. Lease commitments

(a) The Group as Lessee

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

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Future minimum rentals payments:				
Not later than one year	**6,131**	6,070	**6,086**	5,992
Later than one year and not later than five years	**5,794**	5,796	**5,780**	5,737
	11,925	11,866	**11,866**	11,729

36. Capital adequacy

	2009 RM'000	2008 RM'000
Bank		
Tier I capital		
paid-up share capital	**470,000**	470,000
share premium	**322,555**	322,555
Retained profits	**2,175,633**	1,583,030
Statutory reserve	**470,000**	470,000
Less:		
Deferred tax assets	**(135,677)**	(55,964)
	3,302,511	2,789,621
Tier II capital		
property revaluation reserve	**-**	37,848
general allowance for losses on loans, advances and financing	**434,669**	427,189
	434,669	465,037
Total capital	**3,737,180**	3,254,658
Less: Investment in subsidiaries	**(51)**	(51)
Capital base	**3,737,129**	3,254,607

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

	2009	2008
Core capital ratio	13.54%	10.24%
Risk-weighted capital ratio	15.33%	11.95%
Core capital ratio (net of proposed dividends)	13.43%	10.14%
Risk-weighted capital ratio (net of proposed dividends)	15.21%	11.85%

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

	2009		2008	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
0%	**11,595,061**	**-**	11,338,942	-
20%	**3,346,469**	**669,294**	4,220,411	844,082
50%	**10,843,203**	**5,421,601**	9,968,551	4,984,276
100%	**17,694,193**	**17,694,193**	20,878,361	20,878,361
	43,478,926	**23,785,088**	46,406,265	26,706,719
Market Risk	**30,251,827**	**597,641**	26,866,860	532,975
	73,730,753	**24,382,729**	73,273,125	27,239,694

36. Capital adequacy (continued)

(c) The Bank has voluntarily disclosed the market risk information based on Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) as follows:

2009	Long position RM'000	Short position RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
Interest rate risk	**24,293,855**	**22,979,691**	**490,098**	**39,208**
Specific risk	**1,809,709**	**-**	**4,169**	**333**
Foreign exchange risk	**72,904**	**103,374**	**103,374**	**8,270**
			597,641	**47,811**
2008				
Interest rate risk	21,326,971	18,704,814	491,163	39,293
Specific risk	1,170,742	-	37,376	2,990
Foreign exchange risk	3,361	7,482	7,482	599
			536,021	42,882

37. Credit exposure arising from credit transactions with connected parties

	2009	2008
Outstanding credit exposures with connected parties (RM'000)	**284,094**	29,360
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**2.800%**	0.160%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	**0.001%**	0.001%

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

38. Financial risk management

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

Managing financial risks is an integral part of the Bank’s business. It is carried out centrally by the various specialist committees of the Bank under delegated authority of the Board of Directors. These various specialist committees formulate, review and approve policies and limits on monitoring and managing risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to review by the Executive Committee.

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

38. Financial risk management (continued)

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

(a) Foreign exchange risk

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

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

Foreign Exchange open positions are mark-to-market and monitored against pre-determined position limits. The mark-to-market valuations are then monitored against pre-determined cut-loss limits and regularly reported to Management.

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

(b) Credit risk

Credit risk is the potential loss arising from any failure by the Bank's customers or counter parties to fulfill their obligations as and when these obligations fall due. These obligations may arise from lending, trade finance, investments, receivables under derivative contracts and other credit-related activities undertaken by the Bank.

The Executive Committee is responsible for the management of credit risk of the Bank. Apart from direct credit management, such as approval of significant loans, it is also responsible for providing directions and timely guidance on lending to different geographical sectors, industries and products.

The In-Country Credit Committee, under delegated authority from the Executive Committee, deals with approval of credit applications and review of existing credit facilities.

The Credit Management Committee, under delegated authority from the Executive Committee, deals with all credit risk matters, including formulation and review of credit policies.

In general, the Bank monitors the levels of credit risk it undertakes through regular reviews by management, with independent oversight of its credit concentration and portfolio quality.

In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, geographical and industry segments, types of acceptable security, level of non-performing loans and adequacy of provisioning requirements.

In respect of other credit risk activities such as money market transactions and derivative financial instruments, the Bank has counter- party risk policies that set out approved counter-parties with which the Bank may transact and their respective transaction limits.

Exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral when certain exposure thresholds are exceeded, the right to terminate transactions upon the occurrence of unfavourable events, the right to reset the terms of transactions after specified time periods or upon the occurrence of unfavourable events, and entering into netting agreements with counter-parties that permit the Bank to offset receivables and payables with such counter-parties.

38. Financial risk management (continued)

(b) Credit risk (continued)

The following table set out the credit risk concentration by economic sectors of the Group and the Bank:

Group 2009	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Held-for-trading securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Specific provision and general provision RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture, hunting, forestry and fishing	-	-	-	217,815	(4,771)	-	213,044	312,441
Mining and quarrying	-	-	-	13,635	(209)	-	13,426	270,908
Manufacturing	-	-	169,590	4,508,983	(216,811)	1,140	4,462,902	4,420,218
Electricity, gas and water	-	-	-	9,723	(149)	-	9,574	182,929
Construction			39,051	1,640,355	(48,819)	100	1,630,687	2,689,420
Wholesale & retail trade and restaurants & hotels	-	-	-	4,352,009	(110,430)	-	4,241,579	3,928,912
Transport, storage, and communication	-	-	203,503	336,670	(5,264)	5,124	540,033	293,773
Finance, insurance and business services	7,447,318	1,809,646	4,479,406	724,203	(14,711)	38,182	14,484,044	28,195,009
Real estate	-	-	547	1,195,184	(19,885)	-	1,175,846	737,233
Community, social and personal services	-	-	-	80,756	(1,238)	-	79,518	45,622
Households	-	-	-	15,384,687	(295,924)	-	15,088,763	5,271,503
Others	-	-	-	3,903	(60)	394,343	398,186	19,048
	7,447,318	1,809,646	4,892,097	28,467,923	(718,271)	438,889	42,337,602	46,367,016
Other assets not subject to credit risk	-	-	-	-	-	417,412	417,412	-
	7,447,318	1,809,646	4,892,097	28,467,923	(718,271)	856,301	42,755,014	46,367,016
Group 2008								
Agriculture, hunting, forestry and fishing	-	-	-	104,734	(2,847)	-	101,887	47,176
Mining and quarrying	-	-	-	23,227	(354)	-	22,873	24,936
Manufacturing	-	-	171,951	5,299,541	(258,607)	7,794	5,220,679	4,357,579
Electricity, gas and water	-	1,074	-	7,669	(117)	-	8,626	202,696
Construction	-	-	37,555	1,758,885	(35,881)	100	1,760,659	2,979,894
Wholesale & retail trade and restaurants & hotels	-	-	-	4,452,525	(128,894)	-	4,323,631	3,841,669
Transport, storage, and communication	-	-	189,046	554,572	(10,130)	5,164	738,652	141,039
Finance, insurance and business services	8,693,633	-	3,217,055	1,056,513	(84,640)	894,424	13,776,985	27,424,866
Real estate	-	-	565	880,992	(18,162)	-	863,395	1,056,669
Community, social and personal services	-	-	-	88,603	(10,709)	-	77,894	58,814
Households	-	-	-	14,209,916	(302,927)	-	13,906,989	5,375,654
Others	-	-	-	2,140	(33)	272,649	274,756	96,639
	8,693,633	1,074	3,616,172	28,439,317	(853,301)	1,180,131	41,077,026	45,607,631
Other assets not subject to credit risk	-	-	-	-	-	348,441	348,441	-
	8,693,633	1,074	3,616,172	28,439,317	(853,301)	1,528,572	41,425,467	45,607,631

38. Financial risk management (continued)
(b) Credit risk (continued)

Bank 2009	Short-term funds, securities purchased under resale agreements and placements with financial institutions RM'000	Held-for-trading securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Specific provision and general provision RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture, hunting, forestry and fishing	-	-	-	217,815	(4,771)	-	213,044	312,441
Mining and quarrying	-	-	-	13,635	(209)	-	13,426	270,908
Manufacturing	-	-	169,590	4,508,983	(216,811)	1,140	4,462,902	4,420,218
Electricity, gas and water	-	-	-	9,723	(149)	-	9,574	182,929
Construction	-	-	39,051	1,640,355	(48,819)	100	1,630,687	2,689,420
Wholesale & retail trade and restaurants & hotels	-	-	-	4,352,009	(110,430)	-	4,241,579	3,928,912
Transport, storage, and communication	-	-	203,503	336,670	(5,264)	5,124	540,033	293,773
Finance, insurance and business services	7,447,318	1,809,646	4,479,406	899,963	(14,711)	38,182	14,659,804	28,195,009
Real estate	-	-	547	1,195,184	(19,885)	-	1,175,846	737,233
Community, social and personal services	-	-	-	80,756	(1,238)	-	79,518	45,622
Households	-	-	-	15,384,687	(295,924)	-	15,088,763	5,271,503
Others	-	-	-	3,903	(60)	358,252	362,095	19,048
	7,447,318	1,809,646	4,892,097	28,643,683	(718,271)	402,798	42,477,271	46,367,016
Other assets not subject to credit risk	-	-	-	-	-	247,847	247,847	-
	7,447,318	1,809,646	4,892,097	28,643,683	(718,271)	650,645	42,725,118	46,367,016
Bank 2008								
Agriculture, hunting, forestry and fishing	-	-	-	104,734	(2,847)	-	101,887	47,176
Mining and quarrying	-	-	-	23,227	(354)	-	22,873	24,936
Manufacturing	-	-	171,951	5,299,541	(258,607)	7,794	5,220,679	4,357,579
Electricity, gas and water	-	1,074	-	7,669	(117)	-	8,626	202,696
Construction	-	-	37,555	1,758,885	(35,881)	100	1,760,659	2,979,894
Wholesale & retail trade and restaurants & hotels	-	-	-	4,452,525	(128,894)	-	4,323,631	3,841,669
Transport, storage, and communication	-	-	189,046	554,572	(10,130)	5,164	738,652	141,039
Finance, insurance and business services	8,693,633	-	3,217,055	1,056,513	(84,640)	894,424	13,776,985	27,424,866
Real estate	-	-	565	880,992	(18,162)	-	863,395	1,056,669
Community, social and personal services	-	-	-	88,603	(10,709)	-	77,894	58,814
Households	-	-	-	14,209,916	(302,927)	-	13,906,989	5,375,654
Others	-	-	-	2,140	(33)	231,369	233,476	96,639
	8,693,633	1,074	3,616,172	28,439,317	(853,301)	1,138,851	41,035,746	45,607,631
Other assets not subject to credit risk	-	-	-	-	-	348,091	348,091	-
	8,693,633	1,074	3,616,172	28,439,317	(853,301)	1,486,942	41,383,837	45,607,631

38. Financial risk management (continued)

(c) Interest rate risk

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

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

The following table shows the interest rate sensitivity gap, by time bands based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual dates due to prepayments of loans and withdrawal of deposits.

	<----- Non-trading book					----->			
Group 2009	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	5,754,424	-	-	-	-	393,363	-	6,147,787	2.03
Securities purchased under resale agreements	799,610	99,921	-	-	-	-	-	899,531	2.03
Deposits and placements with financial institutions	-	400,000	-	-	-	-	-	400,000	2.08
Held-for-trading securities	-	-	-	-	-	-	1,809,646	1,809,646	4.13
Available-for-sale securities	939,878	304,160	341,499	3,164,892	102,208	39,460	-	4,892,097	2.95
Loans, advances and financing									
performing	19,426,169	1,474,858	1,490,961	1,543,807	410,734	2,656,361	-	27,002,890	5.04
non-performing	-	-	-	-	-	746,762	-	746,762	
Other assets	-	-	-	-	-	856,301	-	856,301	-
	26,920,081	2,278,939	1,832,460	4,708,699	512,942	4,692,247	1,809,646	42,755,014	
Liabilities									
Deposits from customers	18,083,829	4,088,156	5,562,050	280,160	-	3,543,279	-	31,557,474	2.07
Deposits and placements of banks and other financial institutions	3,865,178	17,039	3,002	-	-	83,960	-	3,969,179	1.50
Bills and acceptances payable	1,933	4,997	466	-	-	2,847,092	-	2,854,488	3.02
Amount due to Cagamas	856	1,720	73,393	33,719	-	-	-	109,688	4.45
Other liabilities	-	-	-	-	-	767,992	-	767,992	-
	21,951,796	4,111,912	5,638,911	313,879	-	7,242,323	-	39,258,821	
On-balance sheet interest sensitivity gap	4,968,285	(1,832,973)	(3,806,451)	4,394,820	512,942				
Off-balance sheet interest sensitivity gap	(2,576,909)	3,437,960	56,138	(1,039,702)	50,000				
Total interest sensitivity gap	2,391,376	1,604,987	(3,750,313)	3,355,118	562,942				

38. Financial risk management (continued)
(c) Interest rate risk (continued)

Group 2008	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	<------ Non-trading book					------>			
Assets									
Cash and short-term funds	7,506,598	-	-	-	-	339,813	-	7,846,411	3.34
Securities purchased under resale agreements	98,921	-	-	-	-	-	-	98,921	2.95
Deposits and placements with financial institutions	-	704,157	44,144	-	-	-	-	748,301	5.39
Held-for-trading securities	-	-	-	-	-	-	1,074	1,074	3.89
Available-for-sale securities	662,033	767,765	783,189	459,858	910,183	33,144	-	3,616,172	3.74
Loans, advances and financing									
performing	20,445,149	3,140,089	1,594,194	1,427,462	219,156	-	-	26,826,050	6.27
non-performing	-	-	-	-	-	759,966	-	759,966	
Other assets	-	-	-	-	-	1,528,572	-	1,528,572	
	28,712,701	4,612,011	2,421,527	1,887,320	1,129,339	2,661,495	1,074	41,425,467	
Liabilities									
Deposits from customers	14,969,360	4,534,424	6,232,204	766,747	-	3,509,147	-	30,011,882	2.83
Deposits and placements of banks and other financial institutions	3,165,118	632,607	381,985	-	-	107,367	-	4,287,077	2.58
Bills and acceptances payable	19,914	6,015	-	-	-	3,242,602	-	3,268,531	5.36
Amount due to Cagamas	924	1,858	22,528	111,802	-	-	-	137,112	4.36
Other liabilities	-	-	-	-	-	735,799	-	735,799	
	18,155,316	5,174,904	6,636,717	878,549	-	7,594,915	-	38,440,401	
On-balance sheet interest sensitivity gap	10,557,385	(562,893)	(4,215,190)	1,008,771	1,129,339				
Off-balance sheet interest sensitivity gap	(2,106,350)	3,047,593	(570,121)	(423,077)	(10,163)				
Total interest sensitivity gap	8,451,035	2,484,700	(4,785,311)	585,694	1,119,176				

38. Financial risk management (continued)
(c) Interest rate risk (continued)

Bank 2009	Non-trading book: Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	5,754,424	-	-	-	-	393,363	-	6,147,787	2.03
Securities purchased under resale agreements	799,610	99,921	-	-	-	-	-	899,531	2.03
Deposits and placements with financial institutions	-	400,000	-	-	-	-	-	400,000	2.08
Held-for-trading securities	-	-	-	-	-	-	1,809,646	1,809,646	4.13
Available-for-sale securities	939,878	304,160	341,499	3,164,892	102,208	39,460	-	4,892,097	2.95
Loans, advances and financing performing	19,426,169	1,650,618	1,490,961	1,543,807	410,734	2,656,361	-	27,178,650	5.04
snon-performing	-	-	-	-	-	746,762	-	746,762	-
Other assets	-	-	-	-	-	650,645	-	650,645	
	26,920,081	2,454,699	1,832,460	4,708,699	512,942	4,486,591	1,809,646	42,725,118	
Liabilities									
Deposits from customers	18,083,829	4,088,156	5,562,050	280,160	-	3,543,279	-	31,557,474	2.07
Deposits and placements of banks and other financial institutions	3,865,593	17,039	3,002	-	-	83,960	-	3,969,594	1.50
Bills and acceptances payable	1,933	4,997	466	-	-	2,847,092	-	2,854,488	3.02
Amount due to Cagamas	856	1,720	73,393	33,719	-	-	-	109,688	4.45
Other liabilities	-	-	-	-	-	767,083	-	767,083	-
	21,952,211	4,111,912	5,638,911	313,879	-	7,241,414	-	39,258,327	
On-balance sheet interest sensitivity gap	4,967,870	(1,657,213)	(3,806,451)	4,394,820	512,942				
Off-balance sheet interest sensitivity gap	(2,576,909)	3,437,960	56,138	(1,039,702)	50,000				
Total interest sensitivity gap	2,390,961	1,780,747	(3,750,313)	3,355,118	562,942				

38. Financial risk management (continued)

(c) Interest rate risk (continued)

Bank 2008	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	<---- Non-trading book ----					---->			
Assets									
Cash and short-term funds	7,506,598	-	-	-	-	339,813	-	7,846,411	3.34
Securities purchased under resale agreements	98,921	-	-	-	-	-	-	98,921	2.95
Deposits and placements with financial institutions	-	704,157	44,144	-	-	-	-	748,301	5.39
Held-for-trading securities	-	-	-	-	-	-	1,074	1,074	3.89
Available-for-sale securities	662,033	767,765	783,189	459,858	910,183	33,144	-	3,616,172	3.74
Loans, advances and financing									
performing	20,445,149	3,140,089	1,594,194	1,427,462	219,156	-	-	26,826,050	6.27
non-performing	-	-	-	-	-	759,966	-	759,966	
Other assets	-	-	-	-	-	1,486,942	-	1,486,942	
	28,712,701	4,612,011	2,421,527	1,887,320	1,129,339	2,619,865	1,074	41,383,837	
Liabilities									
Deposits from customers	14,969,360	4,534,424	6,232,204	766,747	-	3,509,147	-	30,011,882	2.83
Deposits and placements of banks and other financial institutions	3,165,532	632,607	381,985	-	-	107,367	-	4,287,491	2.58
Bills and acceptances payable	19,914	6,015	-	-	-	3,242,602	-	3,268,531	5.36
Amount due to Cagamas	924	1,858	22,528	111,802	-	-	-	137,112	4.36
Other liabilities	-	-	-	-	-	735,795	-	735,795	
	18,155,730	5,174,904	6,636,717	878,549	-	7,594,911	-	38,440,811	
On-balance sheet interest sensitivity gap	10,556,971	(562,893)	(4,215,190)	1,008,771	1,129,339				
Off-balance sheet interest sensitivity gap	(2,106,350)	3,047,593	(570,121)	(423,077)	(10,163)				
Total interest sensitivity gap	8,450,621	2,484,700	(4,785,311)	585,694	1,119,176				

Actual repricing dates may differ from contractual dates because prepayments and contractual terms do not reflect the actual behavioural patterns of assets and liabilities. Therefore, the Bank manages its interest rate risk by applying dynamic simulation modelling techniques on the above information, which is based on contractual terms.

(d) Liquidity risk

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

The Banks manages liquidity risk in accordance with the liquidity framework, comprising liquidity policies, controls and limits approved by the Asset and Liability Committee. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements under the guidelines issued by Bank Negara Malaysia, and avoiding raising funds at market premiums or through forced sale of assets.

38. Financial risk management (continued)

(d) Liquidity risk (continued)

These controls and policies include the setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan.

The following table shows the maturity analysis of the Bank's assets and liabilities based on contractual terms.

Group 2009	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	5,955,353	-	-	-	-	192,434	6,147,787
Securities purchased under resale agreement	899,531	-	-	-	-	-	899,531
Deposits and placements with financial institutions	400,000	-	-	-	-	-	400,000
Held-for-trading securities	1,388,921	24,120	19,626	207,387	169,592	-	1,809,646
Available-for-sale securities	1,244,039	75,947	266,888	3,164,892	102,484	37,847	4,892,097
Loans, advances and financing	7,788,368	1,647,044	1,005,574	4,850,216	12,458,450	-	27,749,652
Other assets	9,093	35,452	-	-	-	811,756	856,301
	17,685,305	1,782,563	1,292,088	8,222,495	12,730,526	1,042,037	42,755,014
Liabilities							
Deposits from customers	25,694,707	2,176,920	3,384,943	282,655	-	18,249	31,557,474
Deposits and placements of banks and other financial institutions	3,236,677	2,444	559	-	-	729,499	3,969,179
Bills and acceptances payables	2,461,679	250,111	-	-	-	142,698	2,854,488
Amount due to Cagamas	2,576	2,605	70,789	33,718	-	-	109,688
Other liabilities	-	-	-	-	-	767,992	767,992
	31,395,639	2,432,080	3,456,291	316,373	-	1,658,438	39,258,821
Net maturity mismatches	(13,710,334)	(649,517)	(2,164,203)	7,906,122	12,730,526		

Group 2008	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	7,601,101	-	-	-	-	245,310	7,846,411
Securities purchased under resale agreement	98,921	-	-	-	-	-	98,921
Deposits and placements with financial institutions	704,157	44,144	-	-	-	-	748,301
Held-for-trading securities	-	-	-	-	1,074	-	1,074
Available-for-sale securities	1,429,799	637,969	145,220	459,858	910,183	33,143	3,616,172
Loans, advances and financing	9,147,436	1,614,073	936,258	4,317,377	11,570,872	-	27,586,016
Other assets	20,513	30,602	-	-	-	1,477,457	1,528,572
	19,001,927	2,326,788	1,081,478	4,777,235	12,482,129	1,755,910	41,425,467
Liabilities							
Deposits from customers	22,997,287	2,652,654	3,579,551	766,747	-	15,643	30,011,882
Deposits and placements of banks and other financial institutions	3,220,692	376,444	5,540	-	-	684,401	4,287,077
Bills and acceptances payables	2,576,831	544,684	1,577	-	-	145,439	3,268,531
Amount due to Cagamas	2,782	2,813	19,715	111,802	-	-	137,112
Other liabilities	-	-	-	-	-	735,799	735,799
	28,797,592	3,576,595	3,606,383	878,549	-	1,581,282	38,440,401
Net maturity mismatches	(9,795,665)	(1,249,807)	(2,524,905)	3,898,686	12,482,129		

38. Financial risk management (continued)
(d) Liquidity risk (continued)

Bank 2009	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	5,955,353	-	-	-	-	192,434	6,147,787
Securities purchased under resale agreement	899,531	-	-	-	-	-	899,531
Deposits and placements with financial institutions	400,000	-	-	-	-	-	400,000
Held-for-trading securities	1,388,921	24,120	19,626	207,387	169,592	-	1,809,646
Available-for-sale securities	1,244,039	75,947	266,888	3,164,892	102,484	37,847	4,892,097
Loans, advances and financing	7,788,368	1,647,044	1,181,334	4,850,216	12,458,450	-	27,925,412
Other assets	9,093	35,452	-	-	-	606,100	650,645
	17,685,305	1,782,563	1,467,848	8,222,495	12,730,526	836,381	42,725,118
Liabilities							
Deposits from customers	25,694,707	2,176,920	3,384,943	282,655	-	18,249	31,557,474
Deposits and placements of banks and other financial institutions	3,237,092	2,444	559	-	-	729,499	3,969,594
Bills and acceptances payables	2,461,679	250,111	-	-	-	142,698	2,854,488
Amount due to Cagamas	2,576	2,605	70,789	33,718	-	-	109,688
Other liabilities	-	-	-	-	-	767,083	767,083
	31,396,054	2,432,080	3,456,291	316,373	-	1,657,529	39,258,327
Net maturity mismatches	(13,710,749)	(649,517)	(1,988,443)	7,906,122	12,730,526		

Bank 2008	Up to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	7,601,101	-	-	-	-	245,310	7,846,411
Securities purchased under resale agreement	98,921	-	-	-	-	-	98,921
Deposits and placements with financial institutions	704,157	44,144	-	-	-	-	748,301
Held-for-trading securities	-	-			1,074	-	1,074
Available-for-sale securities	1,429,799	637,969	145,220	459,858	910,183	33,143	3,616,172
Loans, advances and financing	9,147,436	1,614,073	936,258	4,317,377	11,570,872	-	27,586,016
Other assets	20,513	30,602	-	-	-	1,435,827	1,486,942
	19,001,927	2,326,788	1,081,478	4,777,235	12,482,129	1,714,280	41,383,837
Liabilities							
Deposits from customers	22,997,287	2,652,654	3,579,551	766,747	-	15,643	30,011,882
Deposits and placements of banks and other financial institutions	3,221,106	376,444	5,540	-	-	684,401	4,287,491
Bills and acceptances payables	2,576,831	544,684	1,577	-	-	145,439	3,268,531
Amount due to Cagamas	2,782	2,813	19,715	111,802	-	-	137,112
Other liabilities	-	-	-	-	-	735,795	735,795
	28,798,006	3,576,595	3,606,383	878,549	-	1,581,278	38,440,811
Net maturity mismatches	(9,796,079)	(1,249,807)	(2,524,905)	3,898,686	12,482,129		

38. Financial risk management (continued)

(d) Liquidity risk (continued)

The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Bank has a significant amount of “core” deposits of non-bank customers which are contractually at call (included in the “Up to three months” time band) but historically a stable source of long-term funding for the Bank.

In addition to the above, the Bank is also subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments. The total outstanding contractual amounts do not represent future cash requirements since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

(e) Compliance & Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Bank’s credibility to transact, maintain liquidity and obtain new business.

Operational risk is managed through a framework of policies, techniques and procedures as approved by the ultimate holding company. There are periodic risk management reports reviewed by Senior Management and Risk Management Committee.

This framework of techniques and procedures encompasses the following:

- the building of Operational Risk Profiles ("ORPs");
- conduct of Operational Risk Self Assessment ("ORSA") based on the ORPs;
- development of an Operational Risk Action Plan ("ORAP");
- the monitoring of Key Operational Risk Indicators ("KORIs");
- the collection and analysis of risk events/loss data; and
- the process for monitoring and reporting operational risk issues.

Included in the overall framework of operational risk is the disciplined product programme process. This process aims to ensure that the risks associated with each new product/service are identified, analysed and managed.

As part of the Bank’s comprehensive operational risk framework, a Business Contingency Plan has been developed. In addition, in line with the increasing need to outsource internal operations in order to achieve cost efficiency, policy has been established to regulate the outsourcing of services to third parties.

Risk transfer mechanisms, such as insurance, to mitigate the risk of high loss events also form part of this framework. Identified operational risks with relatively high residual risk assessment ratings and new risks that are beyond the control of the Bank will be scrutinised for insurability.

Legal risk is part of operational risk. Legal risk arises from inadequate documentation, legal or regulatory incapacity or insufficient authority of customers and uncertainty in the enforcement of contracts forms part of operational risk. This is managed through consultation with the Bank's legal counsel and external counsel to ensure that legal advice is appropriately taken where necessary.

The Bank has put in place Compliance Officers to monitor and enforce compliance with the relevant laws, regulations, policies and procedures in their respective areas.

39. Fair value of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

The on-balance sheet financial assets and liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with FRS 132 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associates, fixed assets and provision for current and deferred taxation. The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	2009		2008	
Group	**Carrying amount RM'000**	**Estimated fair value RM'000**	**Carrying amount RM'000**	**Estimated fair value RM'000**
Financial liabilities				
Deposits from customers	**31,557,474**	**31,580,894**	30,011,882	30,047,656
Deposits and placements of banks and other financial institutions	**3,969,179**	**3,969,179**	4,287,077	4,286,558
Recourse obligation on loans sold to Cagamas	**109,688**	**110,107**	137,112	135,871
Bank				
Financial liabilities				
Deposits from customers	**31,557,474**	**31,580,894**	30,011,882	30,047,656
Deposits and placements of banks and other financial institutions	**3,969,594**	**3,969,594**	4,287,491	4,286,972
Recourse obligation on sold to Cagamas	**109,688**	**110,107**	137,112	135,871

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

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

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2009			
Foreign exchange contracts			
forwards	**1,713,859**	**5,655**	**96**
swaps	**2,491,936**	**1,169,145**	**88,486**
Interest rate related contracts			
forwards	**60,000**	**53**	**64**
swaps	**22,885,060**	**232,042**	**1,451,329**
Options	**1,391,989**	**3,039**	**1,179**
2008			
Foreign exchange contracts			
forwards	1,873,180	9,503	1,417
swaps	2,422,316	1,208,564	85,329
Interest rate related contracts			
forwards	143,000	299	218
swaps	22,202,280	409,627	1,672,225
Options	725,453	-	-

The table above analyses the notional principal amounts and the positive and negative fair values of the Group's and the Bank's soff-balance sheet derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date for both trading and hedging instruments. They do not necessarily indicate the amounts 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 balance sheet date.

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs. The Group and the Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant. Where available, quoted and observable market prices are used as the measure of fair values, such as for government treasury bills and securities and quoted securities. Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions, the principal ones being as follows:

(a) The fair values of cash and balances with Bank Negara Malaysia and placements and balances with banks, agents and related companies are considered to approximate their carrying values because most of these are of negligible credit risk and either short term in nature or repriced frequently.

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

(c) The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values which are net of interest/income-in-suspense and specific provision for bad and doubtful debts and financing.

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

(d) The Group and the Bank consider the carrying amount of its deposits, such as non bank customers' deposits and deposits and balances of banks, agents and related companies with maturities of less than one year to approximate their fair values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities.

(e) The fair values of amount due to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at balance sheet date.

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

40. Significant event

As part of the Bank's exercise in consolidating its properties under property holding and management company for more effective management and to facilitate future property transactions, on 21 December 2009, UOB (Malaysia) entered into a sale and leaseback transaction for all its properties to be disposed to one of its subsidiary companies, UOB (2006) Bhd at market value of RM176 million.

41. Comparatives

Certain comparative amounts have been reclassified to conform with current year's presentation for balance sheet as at 31 December 2009.

	Previously stated RM'000	Effect of change RM'000	As restated RM'000
Group			
Demand deposits	4,139,839	189,860	4,329,699
Money market deposits	6,193,773	(189,860)	6,003,913
Accruals and provisions for operational expenses	78,312	(9,009)	69,303
Other accruals and provisions	255,155	4,185	259,340
Derivative financial liabilities	150,112	4,824	154,936
Bank			
Demand deposits	4,139,839	189,860	4,329,699
Money market deposits	6,193,773	(189,860)	6,003,913
Accruals and provisions for operational expenses	78,305	(9,009)	69,296
Other accruals and provisions	255,155	4,185	259,340
Derivative financial liabilities	150,112	4,824	154,936
Group			
Fee income			
Commission	94,271	(5,114)	89,157
Promotion and marketing related expenses			
Others	22,714	(5,114)	17,600
Bank			
Fee income			
Commission	94,271	(5,114)	89,157
Promotion and marketing related expenses			
Others	24,509	(5,114)	19,395

uob.com.my

United Overseas Bank (Malaysia) Bhd
Head Office
Menara UOB
Jalan Raja Laut
Peti Surat 11212
50738 Kuala Lumpur, Malaysia
Company Registration No.: 271809K
Phone (60) 3 2692 7722
Fax (60) 3 2691 0281