

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2008

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED BALANCE SHEETS AS AT 30 SEPTEMBER 2008**

	Notes	Group		Bank	
		30-Sep-08 RM'000	31-Dec-07 RM'000	30-Sep-08 RM'000	31-Dec-07 RM'000
ASSETS					
Cash and short-term funds		5,059,651	1,141,316	5,059,651	1,141,316
Securities purchased under resale agreements		968,121	2,430,909	968,121	2,430,909
Deposits and placements with financial institutions		804,124	726,277	804,124	726,277
Held-For-Trading Securities	10	1,169	577,497	1,169	577,497
Available-For-Sale Securities	10	4,161,670	4,375,018	4,161,670	4,375,018
Loans and advances	11	27,425,143	25,004,640	27,425,143	25,004,640
Other assets	12	383,949	419,897	384,519	420,403
Statutory deposits With Bank Negara Malaysia		705,000	817,000	705,000	817,000
Investment in subsidiaries		-	-	51	51
Investment in associates		168,518	161,372	122,733	122,733
Investment Property		8,865	9,000	8,865	9,000
Property, plant and equipment		239,126	242,500	238,751	242,119
Prepaid land lease payments		41,755	41,387	41,755	41,387
Deferred tax assets		69,728	69,728	69,728	69,728
Total assets		40,036,819	36,016,541	39,991,280	35,978,078
LIABILITIES AND SHAREHOLDER'S EQUITY					
Deposits from customers	13	26,049,037	24,433,395	26,049,037	24,433,395
Deposits and placements of banks and other financial institutions	14	6,130,189	4,716,958	6,130,604	4,717,367
Bills and acceptances payable		4,215,776	3,027,681	4,215,776	3,027,681
Amount due to Cagamas		140,613	316,115	140,613	316,115
Other liabilities	15	616,595	715,400	616,580	715,326
Taxation		27,488	62,822	27,488	62,822
Total liabilities		37,179,698	33,272,371	37,180,098	33,272,706
Financed by :					
Share Capital		470,000	470,000	470,000	470,000
Reserves		2,387,121	2,274,170	2,341,182	2,235,372
SHAREHOLDERS' EQUITY		2,857,121	2,744,170	2,811,182	2,705,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		40,036,819	36,016,541	39,991,280	35,978,078
COMMITMENTS AND CONTINGENCIES	22	47,061,725	52,243,292	47,061,725	52,243,292

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008**

	Notes	Group		Bank	
		30-Sep-08 RM'000	30-Sep-07 RM'000	30-Sep-08 RM'000	30-Sep-07 RM'000
Operating revenue		1,665,698	1,638,792	1,665,698	1,656,023
Interest income	16	1,469,212	1,356,540	1,469,212	1,356,534
Interest expenses	17	(750,565)	(711,982)	(750,565)	(711,982)
Net interest income		718,647	644,558	718,647	644,552
Other operating income	18	205,669	290,362	205,669	307,595
Operating income		924,316	934,920	924,316	952,147
Other operating expenses	19	(373,758)	(322,132)	(373,758)	(321,083)
Profit before allowance		550,558	612,788	550,558	631,064
Allowance for losses on loans and financing Provision(made)/written-back for commitments and contingencies	20	(159,342)	(145,440)	(159,350)	(145,442)
		(648)	52	(648)	52
Profit before taxation		390,568	467,400	390,560	485,674
Share of profit of associates (net of tax)		7,146	13,665	-	-
Profit Before taxation		397,714	481,065	390,560	485,674
Taxation					
- Bank and subsidiary companies		(98,538)	(144,914)	(98,523)	(147,720)
Profit after taxation		299,176	336,151	292,037	337,954
Basic earnings per share (sen)		63.7	71.5		

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008**

GROUP	← Non-distributable →					Distributable	
	Share Capital	Share Premium	Statutory Reserves	Revaluation Reserves	Revaluation Reserves-AFS	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	-	-	-	-	-	299,177	299,177
Net unrealised loss on AFS securities	-	-	-	-	(12,327)	-	(12,327)
Dividends paid :							
- final dividend for year ended 31 December 2007	-	-	-	-	-	(173,900)	(173,900)
Balance as at 30 September 2008	470,000	322,555	470,000	59,831	(15,574)	1,550,308	2,857,120

2007

Balance as at 1 January 2007	470,000	322,555	470,000	37,504	(37)	1,110,423	2,410,445
Net profit for the year	-	-	-	-	-	483,214	483,214
Revaluation of properties	-	-	-	28,317	-	-	28,317
Impairment losses	-	-	-	(637)	-	-	(637)
Share of revaluation reserve from Associates Companies	-	-	-	160	-	-	160
Net unrealised loss on AFS securities	-	-	-	-	(4,280)	-	(4,280)
Realisation of revaluation reserve upon disposal of land and buildings	-	-	-	(2,944)	-	2,944	-
Transfer from/(to) deferred taxation	-	-	-	(2,569)	1,070	-	(1,499)
Dividends paid :							
- final dividend for year ended 31 December 2006	-	-	-	-	-	(171,550)	(171,550)
Balance as at 31 December 2007	470,000	322,555	470,000	59,831	(3,247)	1,425,031	2,744,170

BANK

BANK	← Non-distributable →					Distributable	
	Share Capital	Share Premium	Statutory Reserves	Revaluation Reserves	Revaluation Reserves-AFS	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	-	-	-	-	-	292,037	292,037
Net unrealised loss on AFS securities	-	-	-	-	(12,327)	-	(12,327)
Dividends paid :							
- final dividend for year ended 31 Dec 2007	-	-	-	-	-	(173,900)	(173,900)
Balance as at 30 September 2008	470,000	322,555	470,000	74,723	(15,574)	1,489,478	2,811,182

2007

Balance as at 1 January 2007	470,000	322,555	470,000	52,556	(37)	1,057,157	2,372,231
Net profit for the year	-	-	-	-	-	482,790	482,790
Revaluation of properties	-	-	-	28,317	-	-	28,317
Impairment losses	-	-	-	(637)	-	-	(637)
Net unrealised loss on AFS securities	-	-	-	-	(4,280)	-	(4,280)
Realisation of revaluation reserve upon disposal of land and buildings	-	-	-	(2,944)	-	2,944	-
Transfer from/(to) deferred taxation	-	-	-	(2,569)	1,070	-	(1,499)
Dividends paid :							
- final dividend for year ended 31 Dec 2006	-	-	-	-	-	(171,550)	(171,550)
Balance as at 31 December 2007	470,000	322,555	470,000	74,723	(3,247)	1,371,341	2,705,372

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED CASH FLOW STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

	<u>Group</u>		<u>Bank</u>	
	30-Sep-08 RM'000	30-Sep-07 RM'000	30-Sep-08 RM'000	30-Sep-07 RM'000
Cash Flows From Operating Activities				
Profit before taxation	397,714	481,065	390,560	485,674
Adjustment for non-cash items	<u>61,076</u>	<u>29,552</u>	<u>68,183</u>	<u>25,269</u>
Operating profit before changes in working capital	458,790	510,617	458,743	510,943
Changes in working capital :				
Net changes in operating assets	(491,805)	(4,449,470)	(491,865)	(4,465,480)
Net changes in operating liabilities	4,028,370	4,937,026	4,028,435	4,937,535
Income tax paid	<u>(133,846)</u>	<u>(144,352)</u>	<u>(133,846)</u>	<u>(144,352)</u>
Net cash generated (used in)/from operating activities	3,861,509	853,821	3,861,467	838,646
Net cash generated from investing activities	308,573	123,802	308,615	138,977
Net cash generated (used in)/from financing activities	(173,900)	(171,550)	(173,900)	(171,550)
Net changes in cash and cash equivalents	<u>3,996,182</u>	<u>806,073</u>	<u>3,996,182</u>	<u>806,073</u>
Cash and cash equivalents at beginning of the period	<u>1,867,593</u>	<u>2,801,375</u>	<u>1,867,593</u>	<u>2,801,375</u>
Cash and cash equivalents at end of the period	<u>5,863,775</u>	<u>3,607,448</u>	<u>5,863,775</u>	<u>3,607,448</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2008

1. Basis of Preparation

The unaudited condensed interim financial statements for the financial quarter ended 30 September 2008 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the revised GP8 guidelines issued by Bank Negara Malaysia.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. The explanatory notes attached in the unaudited condensed interim financial statements provide and explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2007.

2. Audit Report

The audit report on the audited annual financial statements for the financial year ended 31 December 2007 was not subject to any qualification.

3. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank during the financial quarter ended 30 September 2008.

4. Comments about Seasonal or Cyclical Factors

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

5. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial quarter ended 30 September 2008.

6. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the financial quarter ended 30 September 2008.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2008

7. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost / valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and directors' valuation. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial quarter ended 30 September 2008.

8. Significant Events Subsequent to the Balance Sheet Date

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

9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial quarter ended 30 September 2008.

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10. SECURITIES PORTFOLIO**(i) Held-for-Trading****Money market instruments :-**

	Group and Bank	
	Sep-08	Dec-07
	RM'000	RM'000
Malaysian Government securities	-	164,251
Islamic private debt securities	-	85,575
Private debt securities	1,169	327,671
	1,169	577,497

(ii) Available-for-Sale

	Group and Bank	
	Sep-08	Dec-07
	RM'000	RM'000
Bank Negara Malaysia bills	1,247,040	226,925
Bankers' acceptances	135,660	355,776
Malaysian Government treasury bills	-	63,506
Malaysian Government securities	628,618	838,137
Negotiable instruments of deposits	950,000	1,930,015
Cagamas Notes/ Bonds	403,155	303,895
Private debt securities	761,317	635,999
	4,125,790	4,354,253
Quoted securities :		
Shares of corporations	2,063	2,575
Private debt securities	6,549	5,642
	8,612	8,217
Unquoted securities :		
Shares	26,992	12,272
Private debt securities	276	276
	27,268	12,548
Total available-for-sale securities	4,161,670	4,375,018

UNITED OVERSEAS BANK (MALAYSIA) BHD
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11. LOAN AND ADVANCES**(i) By type**

	Group and Bank	
	Sep-08	Dec-07
	RM'000	RM'000
Overdrafts	2,661,937	2,807,803
Term loans and revolving credits		
Housing loans	9,932,518	8,477,711
Syndicated term loan	202,362	423,427
Other term loans/financing	8,480,854	7,761,387
Credit cards receivable	915,575	909,878
Bills receivable	132,695	109,501
Trust receipts	1,009,458	879,447
Staff loans	100,700	96,172
Others	5,913	9,737
	23,442,012	21,475,063
Claims on customers under acceptance credits	4,806,304	4,272,907
Less: Unearned interest	(21,727)	(16,744)
Gross loans, advances and financing	28,226,589	25,731,226
Allowance for bad and doubtful debts and financing		
- Specific	(380,257)	(341,847)
- General	(421,189)	(384,739)
Net loans, advances and financing	27,425,143	25,004,640

UNITED OVERSEAS BANK (MALAYSIA) BHD
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11. LOANS AND ADVANCES (CONTINUED)

(ii) By type of customer	Group and Bank	
	Sep-08 RM'000	Dec-07 RM'000
Domestic banking institutions	-	34,761
Domestic non-bank financial Institutions		
- stockbroking companies	4	-
- Others	119,323	79,923
Domestic business enterprises		
- Small medium enterprises	6,991,629	6,728,691
- Others	7,364,859	6,928,583
Government	51,699	49,300
Individuals	12,267,396	11,203,375
Other domestic entities	162	3,031
Foreign entities	1,431,517	703,562
	<u>28,226,589</u>	<u>25,731,226</u>

(iii) By interest/profit rate sensitivity	Group and Bank	
	Sep-08 RM'000	Dec-07 RM'000
Fixed rate		
Housing loans/financing	99,881	95,376
Other fixed rate loan/financing	972,780	951,484
Variable rate		
BLR plus	25,867,849	23,137,335
Cost-plus	812,883	1,061,899
Other variable rates	473,196	485,132
	<u>28,226,589</u>	<u>25,731,226</u>

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11. LOANS AND ADVANCES (CONTINUED)

(iv) Loans and advances analysed according to economic sector are as follows :

	Group and Bank	
	Sep-08	Dec-07
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	105,598	117,329
Mining and quarrying	21,735	34,946
Manufacturing	5,459,482	5,127,661
Electricity, gas and water	13,221	28,815
Construction	1,561,909	1,512,810
Wholesale & retail trade and restaurants & hotels	4,783,423	3,811,760
Transport, storage and communication	520,851	521,347
Finance, insurance and business services	1,028,634	1,445,962
Real estate	890,282	1,032,166
Community, social and personal services	79,279	105,019
Households	13,707,984	11,943,691
of which: - purchase of residential properties	10,387,460	8,854,145
- purchase of non residential properties	1,123,475	981,387
- others)	2,197,049	2,108,159
Others	54,191	49,720
	<u>28,226,589</u>	<u>25,731,226</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD
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11. LOANS AND ADVANCES (CONTINUED)

(v) **Movements in the non-performing loans, advances and financing ("NPL") are as follows:**

	Group and Bank	
	Sep-08	Dec-07
	RM'000	RM'000
Balance as at 1 January	1,037,482	1,227,859
Non-performing during the period/year	584,707	441,253
Recoveries	(167,792)	(241,300)
Reclassified as performing	(201,802)	(185,785)
Amount written off	(140,951)	(204,545)
Balance as at 30 September / December	<u>1,111,644</u>	<u>1,037,482</u>
Specific allowance (SA)	<u>(380,257)</u>	<u>(341,847)</u>
Net non-performing loans, advances and financing	<u>731,387</u>	<u>695,635</u>
Ratio of net non-performing loans and financing to net loans and financing	<u>2.6%</u>	<u>2.7%</u>

(vi) **Movements in allowance for bad and doubtful debts and financing accounts are as follows:**

	Group and Bank	
	Sep-08	Dec-07
	RM'000	RM'000
<u>General allowance</u>		
Balance as at 1 January	384,739	305,969
Allowance made during the period/year	36,450	78,770
Balance as at 30 September / December	<u>421,189</u>	<u>384,739</u>
% of gross loans, advances and financing (excluding loan to Government) less specific allowance	<u>1.5%</u>	<u>1.5%</u>
<u>Specific allowance</u>		
Balance as at 1 January	341,847	352,240
Allowance made during the period/year	229,377	251,780
Amount written back in respect of recoveries	(49,636)	(58,844)
Amount written off	(141,331)	(203,329)
Balance as at 30 September / December	<u>380,257</u>	<u>341,847</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD
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11. LOANS AND ADVANCES (CONTINUED)

(vii) Non-performing loans, advances and financing analysed by economic purpose are as follows:

	Group and Bank	
	Sep-08 RM'000	Dec-07 RM'000
Agriculture, hunting, forestry and fishing	3,558	1,122
Mining and quarrying	-	596
Manufacturing	426,017	366,344
Construction	24,146	33,272
Wholesale & retail trade and restaurants & hotels	152,139	195,505
Transport, storage and communication	7,210	9,715
Finance, insurance and business services	72,617	9,690
Real estate	12,975	41,550
Community, social and personal services	11,966	14,910
Households	395,819	356,007
(of which: - purchase of residential properties	280,016	234,388
- purchase of non residential properties	17,079	13,610
- others	98,724	108,009
Others	5,197	8,771
	1,111,644	1,037,482

12. OTHER ASSETS

	Group		Bank	
	Sep-08 RM'000	Dec-07 RM'000	Sep-08 RM'000	Dec-07 RM'000
Other debtors, deposits and prepayments	285,505	297,550	285,458	297,511
Derivatives - assets	4,762	18,391	4,762	18,391
Accrued interest receivable	39,609	50,883	39,609	50,883
Amount due from subsidiaries	-	-	617	545
Precious Metal accounts	50,024	49,024	50,024	49,024
Foreclosed properties	4,049	4,049	4,049	4,049
	383,949	419,897	384,519	420,403

UNITED OVERSEAS BANK (MALAYSIA) BHD
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13. DEPOSITS FROM CUSTOMERS**(i) By type of deposit**

	Group and Bank	
	Sep-08	Dec-07
	RM'000	RM'000
Demand deposits	3,791,036	3,351,581
Savings deposits	1,758,669	1,580,662
Fixed deposits	15,960,793	14,539,809
Negotiable instruments of deposits	547,212	520,048
Money Market Deposits	3,280,968	3,877,471
Others	710,359	563,824
	<u>26,049,037</u>	<u>24,433,395</u>

(ii) By type of customer

	Group and Bank	
	Sep-08	Dec-07
	RM'000	RM'000
Business enterprise	10,450,103	10,117,691
Individuals	14,631,408	13,158,735
Others	967,526	1,156,969
	<u>26,049,037</u>	<u>24,433,395</u>

14. DEPOSITS AND PLACEMENT OF BANKS AND FINANCIAL INSTITUTIONS

	Group		Bank	
	Sep-08	Dec-07	Sep-08	Dec-07
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
Licensed banks	1,564,064	1,542,212	1,564,479	1,542,621
Bank Negara Malaysia	603,611	1,646,506	603,611	1,646,506
Licensed Investment Bank	-	389,100	-	389,100
Other financial institutions	3,962,514	1,139,140	3,962,514	1,139,140
	<u>6,130,189</u>	<u>4,716,958</u>	<u>6,130,604</u>	<u>4,717,367</u>

15. OTHER LIABILITIES

	Group		Bank	
	Sep-08	Dec-07	Sep-08	Dec-07
	RM'000	RM'000	RM'000	RM'000
Provision for Commitments and Contingencies	1,883	1,236	1,883	1,236
Accrued interest payable	199,088	181,126	199,088	181,126
Accruals and provisions for operational expenses	66,676	75,778	66,676	75,704
Derivatives - liabilities	122,311	120,953	122,311	120,953
Other accruals and provisions	226,637	336,307	226,622	336,307
	<u>616,595</u>	<u>715,400</u>	<u>616,580</u>	<u>715,326</u>

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16. INTEREST INCOME

	Group		Bank	
	Sep-08 RM'000	Sep-07 RM'000	Sep-08 RM'000	Sep-07 RM'000
Loans and advances				
- Interest income other than recoveries from NPL	1,075,602	918,275	1,075,602	918,275
- Recoveries from NPLs	58,503	94,380	58,503	94,380
Money at call and deposit placements with financial institutions	223,846	209,741	223,846	209,735
Held-For-Trading Securities	9,587	21,655	9,587	21,655
Available-For-Sale Securities	118,126	118,980	118,126	118,980
Others	1,342	2,217	1,342	2,217
	1,487,006	1,365,248	1,487,006	1,365,242
Amortisation of premium less accretion of discount	(5,986)	(4,443)	(5,986)	(4,443)
Net interest suspended	(11,808)	(4,265)	(11,808)	(4,265)
	1,469,212	1,356,540	1,469,212	1,356,534

17. INTEREST EXPENSES

	Group		Bank	
	Sep-08 RM'000	Sep-07 RM'000	Sep-08 RM'000	Sep-07 RM'000
Deposits and placements of banks and other financial institutions	169,698	138,596	169,698	138,596
Deposits from other customers	568,537	470,644	568,537	470,644
Loans sold to Cagamas	7,117	13,196	7,117	13,196
Others	5,213	89,546	5,213	89,546
	750,565	711,982	750,565	711,982

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18. OTHER OPERATING INCOME

The Group and Bank	Group		Bank	
	Sep-08 RM'000	Sep-07 RM'000	Sep-08 RM'000	Sep-07 RM'000
<u>Fee income</u>				
Commission	73,181	84,370	73,181	83,800
Guarantee Fees	19,265	18,846	19,265	18,846
Service charges and fees	92,463	73,315	92,463	73,380
Commitment fees	15,311	16,932	15,311	16,932
Arrangement and Participation fees	5,604	8,279	5,604	8,279
	<u>205,824</u>	<u>201,742</u>	<u>205,824</u>	<u>201,237</u>
<u>Investment income</u>				
Gain/(Loss) from sale of HFT Securities	(4,293)	48,807	(4,293)	48,807
Gain/(Loss) from sale of AFS Securities	20,294	3,358	20,294	3,358
Unrealised gain/(loss) of HFT Securities	(94,718)	(22,168)	(94,718)	(22,168)
Gross dividends from :				
- Investment securities in Malaysia	1,212	455	1,212	455
- Association	-	-	-	17,743
	<u>(77,505)</u>	<u>30,452</u>	<u>(77,505)</u>	<u>48,195</u>
<u>Other income :-</u>				
Foreign exchange gain/(loss)				
- realised	(21,327)	64,444	(21,327)	64,444
- unrealised	86,358	(17,106)	86,358	(17,106)
Rental receivable from operating leases, other than those relating to investment properties	173	209	173	209
Rental income from investment properties	450	450	450	450
Gain on disposal of property, plant and equipment	8	(246)	8	(251)
Other operating income	2,513	2,059	2,513	2,059
Other non operating income	9,175	8,358	9,175	8,358
	<u>77,350</u>	<u>58,168</u>	<u>77,350</u>	<u>58,163</u>
	<u>205,669</u>	<u>290,362</u>	<u>205,669</u>	<u>307,595</u>

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19. OTHER OPERATING EXPENSES

	Group		Bank	
	Sep-08 RM'000	Sep-07 RM'000	Sep-08 RM'000	Sep-07 RM'000
Personnel costs	203,274	174,225	202,337	172,705
Establishment costs	78,074	66,997	77,906	66,551
Marketing expenses	32,526	26,310	33,816	27,468
Administration and general expenses	59,883	54,600	59,699	54,359
	373,758	322,132	373,758	321,083
<u>Personnel costs</u>				
Salaries, allowance and bonuses	161,138	140,313	160,339	139,059
Employees Provident Fund Contributions (EPF)	25,164	22,421	25,061	22,242
Other personnel costs	16,972	11,491	16,937	11,404
	203,274	174,225	202,337	172,705
<u>Establishment costs</u>				
Depreciation	29,234	25,574	29,187	25,362
Hire of equipment	52	45	52	39
Information technology costs	7,731	6,719	7,731	6,710
Repair and maintenance	13,804	10,664	13,753	10,613
Rental of premises	5,696	4,737	5,647	4,611
Others	21,557	19,258	21,536	19,216
	78,074	66,997	77,906	66,551
<u>Marketing expenses</u>				
Advertisement and publicity	14,038	14,424	14,008	14,412
Others	18,488	11,886	19,808	13,056
	32,526	26,310	33,816	27,468
<u>Administration and general expenses</u>				
Fees and commissions paid	26,068	20,877	26,005	20,794
Other Administration and general expenses	33,815	33,723	33,694	33,565
	59,883	54,600	59,699	54,359

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20. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group		Bank	
	Sep-08 RM'000	Sep-07 RM'000	Sep-08 RM'000	Sep-07 RM'000
Allowance for bad and doubtful debts on loans and financing				
(a) specific allowance (net)				
- Made in the financial period	229,377	183,759	229,377	183,759
- Written back	(49,637)	(40,559)	(49,637)	(40,559)
(b) general allowance				
- Made/(Written back) in the financial period	36,450	55,470	36,450	55,470
Bad debts on loans and financing				
- written off	1,045	471	1,045	471
- recovered	(57,893)	(53,701)	(57,885)	(53,699)
	<u>159,342</u>	<u>145,440</u>	<u>159,350</u>	<u>145,442</u>

21. CAPITAL ADEQUACY

	Group and Bank	
	Sep-08 RM'000	Dec-07 RM'000
<u>Tier I Capital</u>		
Paid-up share capital	470,000	470,000
Share premium	322,555	322,555
Retained profit	1,197,442	1,371,341
Other reserves	470,000	470,000
Less: Deferred Tax adjustments	(69,728)	(69,728)
Total Tier I Capital	<u>2,390,269</u>	<u>2,564,168</u>
<u>Tier II capital</u>		
Property revaluation reserve	37,362	37,362
General provisions for bad and doubtful debts	421,189	384,739
Total Tier II Capital	<u>458,551</u>	<u>422,101</u>
Total capital	<u>2,848,820</u>	<u>2,986,269</u>
Less: Investment in subsidiaries	(51)	(51)
Total capital base	<u>2,848,769</u>	<u>2,986,218</u>

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

Capital ratios

Core capital ratio (incl. mkt risk)	8.66%	9.96%
Risk-weighted capital ratio (incl. mkt risk)	<u>10.32%</u>	<u>11.60%</u>

22. 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 if these transactions.

Group and Bank	Sep-08			Dec-07		
	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000
Direct credit substitutes	1,962,729	1,962,729	1,915,485	1,856,018	1,856,018	1,803,956
Transaction-related contingent items	1,169,209	584,605	433,828	1,108,620	554,310	443,894
Short-term self-liquidating trade-related contingencies	452,399	90,480	86,693	544,727	108,945	101,385
Irrevocable commitments to extend credit						
- maturity more than one year	2,076,137	1,038,069	866,095	1,948,814	974,407	834,844
- maturity less than one year	11,917,366	-	-	16,593,290	-	-
Foreign exchange related contracts +						
- less than one year	5,220,047	203,033	53,403	9,122,314	223,948	48,504
- one year to less than one year	1,225,758	86,031	17,206	1,177,902	96,220	19,244
Interest rates related contracts +						
- less than one year	2,895,119	26,325	5,221	3,183,324	7,663	1,533
- one year to less than one year	17,075,587	519,322	102,676	15,370,242	432,381	87,967
- 5 years and above	2,029,244	186,598	37,320	911,940	103,228	20,646
Others	1,038,130	-	-	426,101	-	-
Total	47,061,725	4,697,192	3,517,927	52,243,292	4,357,120	3,361,973

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

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

23. INTEREST / PROFIT RATE RISK

Interest rate risk is the risk to earnings and value of financial instruments 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 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.

Group

As at 30 September 2008

	----- Non-trading book ----->							Total	Effective Interest Rate %
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive	Trading book		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash & Short Term Funds	4,097,330	-	-	-	-	962,321	-	5,059,651	3.54%
Securities purchased under repo	409,551	558,570	-	-	-	-	-	968,121	3.47%
Deposits & Placements with CB & FI	-	456,042	348,082	-	-	-	-	804,124	6.64%
Held for Trading Securities	-	-	-	-	-	-	1,169	1,169	4.12%
Investment Securities	1,247,205	1,092,505	657,162	417,330	711,588	35,880	-	4,161,670	4.83%
Loans & Advances & Financing									
-performing	18,486,047	4,698,834	1,790,619	1,492,584	221,815	-	-	26,689,899	6.39%
-non-performing	-	-	-	-	-	735,244	-	735,244	
Other assets	-	-	-	-	-	1,616,941	-	1,616,941	0%
	24,240,133	6,805,951	2,795,863	1,909,914	933,403	3,350,386	1,169	40,036,819	
Liabilities									
Deposits from Customers	12,079,260	3,923,990	5,919,846	937,625	-	3,188,316	-	26,049,037	2.99%
Deposits & Placements of CB & FI	4,219,994	266,895	1,421,561	-	-	221,739	-	6,130,189	3.57%
Bills & Acceptances Payable	6,570	32,946	-	-	-	4,176,260	-	4,215,776	3.63%
Amount due to Cagamas	913	1,834	8,424	129,442	-	-	-	140,613	4.51%
Other Liabilities	-	-	-	-	-	644,083	-	644,083	0%
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	n/a
Reserves	-	-	-	-	-	2,387,121	-	2,387,121	n/a
	16,306,737	4,225,665	7,349,831	1,067,067	-	11,087,519	-	40,036,819	
On B/S Interest Sensitivity Gap	7,933,396	2,580,286	(4,553,968)	842,847	933,403	(7,737,133)	1,169	-	
Off B/S Interest Sensitivity Gap	(1,900,158)	3,515,095	(705,756)	(989,937)	80,756	-	-	-	
Total Interest Sensitivity Gap	6,033,238	6,095,381	(5,259,724)	(147,090)	1,014,159	(7,737,133)	1,169	-	

23. INTEREST / PROFIT RATE RISK (CONTINUED)

Bank

As at 30 September 2008

	----- Non-trading book ----->							Total	Effective Interest Rate %
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive	Trading book		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash & Short Term Funds	4,097,330	-	-	-	-	962,321	-	5,059,651	3.54%
Securities purchased under repo	409,551	558,570	-	-	-	-	-	968,121	3.47%
Deposits & Placements with CB & FI	-	456,042	348,082	-	-	-	-	804,124	6.64%
Held for Trading Securities	-	-	-	-	-	-	1,169	1,169	4.12%
Investment Securities	1,247,205	1,092,505	657,162	417,330	711,588	35,880	-	4,161,670	4.83%
Loans & Advances & Financing									
-performing	18,486,047	4,698,834	1,790,619	1,492,584	221,815	-	-	26,689,899	6.39%
-non-performing	-	-	-	-	-	735,244	-	735,244	
Other assets	-	-	-	-	-	1,571,402	-	1,571,402	
	24,240,133	6,805,951	2,795,863	1,909,914	933,403	3,304,847	1,169	39,991,280	
Liabilities									
Deposits from Customers	12,079,260	3,923,990	5,919,846	937,625	-	3,188,316	-	26,049,037	2.99%
Deposits & Placements of CB & FI	4,220,409	266,895	1,421,561	-	-	221,739	-	6,130,604	3.57%
Bills & Acceptances Payable	6,570	32,946	-	-	-	4,176,260	-	4,215,776	3.63%
Amount due to Cagamas	913	1,834	8,424	129,442	-	-	-	140,613	4.51%
Other Liabilities	-	-	-	-	-	644,068	-	644,068	0%
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	n/a
Reserves	-	-	-	-	-	2,341,182	-	2,341,182	n/a
	16,307,152	4,225,665	7,349,831	1,067,067	-	11,041,565	-	39,991,280	
On B/S Interest Sensitivity Gap	7,932,981	2,580,286	(4,553,968)	842,847	933,403	(7,736,718)	1,169	-	
Off B/S Interest Sensitivity Gap	(1,900,158)	3,515,095	(705,756)	(989,937)	80,756	-	-	-	
Total Interest Sensitivity Gap	6,032,823	6,095,381	(5,259,724)	(147,090)	1,014,159	(7,736,718)	1,169	-	

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24. PERFORMANCE REVIEW

The Group's pre-tax profit was RM397.7million for the nine months ended 30 September 2008, down RM83.4million or 17% compared to the corresponding period last year. The decline was mainly due to trading losses and higher operating expenses as a result of higher personnel cost from salary adjustment for unionised staff, continuous investment in infrastructure and re-branding costs.

Net interest income rose by RM74.1million or 11% to RM718.6million as loan and deposit volume expanded. The net interest income growth was in line with loans growth if not for the lower interest recoveries from NPL as compared to the same corresponding period last year. Other operating income was lower at RM205.7million or decreased by 29%, mainly affected by lower investment sales due to weak market sentiment and trading losses on derivatives.

The Group's Net NPL ratio has improved from 2.7% to 2.6% although the allowances for losses on loans and financing increased by RM13.9million or 10% due to strong loans growth over the period.

25. PROSPECTS FOR 2008

The current financial turmoil in US will adversely impact the rest of the world going forward. The economic growth in Asia-Pacific is expected to slow down including Malaysian economy in 2009.

Tougher operating environment is expected amid a prolonged uncertain economic environment where weaker consumer and business sentiments will dampen consumer spending and private investment. Lending activities are expected to be affected due to market slowdown and banks becoming more cautious in their lending business.

Nevertheless, the Bank will capitalised on its regional presence and is well positioned to compete in its targeted business segments amid these challenging conditions.