

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 JUNE 2017

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Notes	Group		Bank	
		30-Jun-17 RM'000	31-Dec-16 RM'000	30-Jun-17 RM'000	31-Dec-16 RM'000
ASSETS					
Cash and short-term funds	11	7,442,929	11,805,740	7,442,929	11,805,740
Securities purchased under resale agreements		2,114,597	644,041	2,114,597	644,041
Deposits and placements with financial institutions	12	1,500,000	589,100	1,500,000	589,100
Financial assets at fair value through profit or loss ("FVTPL")	13	2,694,437	228,055	2,694,437	228,055
Available-for-sale ("AFS") securities	14	11,512,316	6,871,580	11,512,316	6,871,580
Loans, advances and financing	15	76,628,225	76,450,132	76,807,444	76,630,127
Derivative financial assets	16	549,883	768,981	549,883	768,981
Other assets	17	499,152	474,366	512,791	488,042
Statutory deposits with Bank Negara Malaysia		1,569,487	2,098,668	1,569,487	2,098,668
Investment in subsidiaries		-	-	40	40
Investment in an associate		9,745	11,554	13,522	13,522
Property, plant and equipment		537,259	530,574	239,058	231,728
Deferred tax assets		49,095	46,052	49,095	46,052
Total assets		105,107,125	100,518,843	105,005,599	100,415,676
LIABILITIES					
Deposits from customers	18	82,452,790	82,184,676	82,454,716	82,188,597
Deposits and placements of banks and other financial institutions	19	9,187,783	4,872,703	9,187,813	4,872,733
Bills and acceptances payable		236,962	227,516	236,962	227,516
Derivative financial liabilities	16	568,798	731,064	568,798	731,064
Other liabilities	20	2,264,576	2,414,657	2,263,157	2,412,331
Tax payable		109,874	70,905	109,345	69,850
Deferred tax liabilities		14,554	14,554	-	-
Subordinated bonds	21	1,504,503	1,503,784	1,504,503	1,503,784
Total liabilities		96,339,840	92,019,859	96,325,294	92,005,875

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)

AS AT 30 JUNE 2017

	Notes	Group		Bank	
		30-Jun-17 RM'000	31-Dec-16 RM'000	30-Jun-17 RM'000	31-Dec-16 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		792,555	470,000	792,555	470,000
Reserves		7,974,730	8,028,984	7,887,750	7,939,801
Total equity		8,767,285	8,498,984	8,680,305	8,409,801
TOTAL LIABILITIES AND EQUITY		105,107,125	100,518,843	105,005,599	100,415,676
Commitments and contingencies	30	100,061,978	88,409,809	100,061,978	88,409,809

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

Group	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Operating revenue	22	1,390,628	1,320,365	2,757,064	2,646,817
Interest income	23	1,174,529	1,119,905	2,322,796	2,246,973
Interest expense	24	(661,258)	(652,243)	(1,310,820)	(1,288,643)
Net interest income		513,271	467,662	1,011,976	958,330
Net income from Islamic					
Banking operations	33	5,229	-	8,975	-
Other operating income	25	210,481	203,643	425,836	406,341
Operating income		728,981	671,305	1,446,787	1,364,671
Other operating expenses	26	(279,197)	(274,533)	(538,167)	(522,665)
Operating profit before allowance for impairment on loans, advances and financing, and provision for commitments and contingencies		449,784	396,772	908,620	842,006
Allowance for impairment on loans, advances and financing	27	(27,706)	(58,354)	(103,625)	(127,164)
Writeback of/(provision) for commitments and contingencies-net		(2,832)	9,295	(1,940)	9,256
		419,246	347,713	803,055	724,098
Share of net profit of an associate		56	33	112	101
Profit before taxation		419,302	347,746	803,167	724,199
Income tax expense		(102,564)	(84,027)	(194,842)	(172,935)
Profit for the period attributable to equity holders of the Bank		316,738	263,719	608,325	551,264
Basic/diluted earnings per share (sen)		67.4	56.1	129.4	117.3

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE PERIOD ENDED 30 JUNE 2017

Bank	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Operating revenue	22	1,392,559	1,322,495	2,762,855	2,651,151
Interest income	23	1,176,497	1,122,088	2,326,743	2,251,390
Interest expense	24	(661,270)	(652,263)	(1,310,850)	(1,288,685)
Net interest income		515,227	469,825	1,015,893	962,705
Net income from Islamic					
Banking operations	33	5,229	-	8,975	-
Other operating income	25	210,444	203,602	427,676	406,413
Operating income		730,900	673,427	1,452,544	1,369,118
Other operating expenses	26	(281,546)	(276,968)	(542,484)	(526,278)
Operating profit before allowance for impairment on loans, advances and financing, and provision for commitments and contingencies		449,354	396,459	910,060	842,840
Allowance for impairment on loans, advances and financing	27	(27,676)	(58,354)	(103,576)	(127,164)
Writeback of/(provision) for commitments and contingencies-net		(2,832)	9,295	(1,940)	9,256
Profit before taxation		418,846	347,400	804,544	724,932
Income tax expense		(102,098)	(83,824)	(194,016)	(172,713)
Profit for the period attributable to equity holders of the Bank		316,748	263,576	610,528	552,219
Basic/diluted earnings per share (sen)		67.4	56.1	129.9	117.5

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Profit for the period	316,738	263,719	608,325	551,264
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on revaluation of AFS securities	51,717	55,704	60,324	62,886
Income tax effect	(12,412)	(13,369)	(14,478)	(15,093)
Total other comprehensive income for the period, net of tax	39,305	42,335	45,846	47,793
Total comprehensive income for the period attributable to equity holders of the Bank	356,043	306,054	654,171	599,057

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE PERIOD ENDED 30 JUNE 2017

	Second Quarter		Six Months	
	Ended		Ended	
Bank	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
Profit for the period	316,748	263,576	610,528	552,219
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on revaluation of AFS securities	51,717	55,704	60,324	62,886
Income tax effect	(12,412)	(13,369)	(14,478)	(15,093)
Total other comprehensive income for the period, net of tax	39,305	42,335	45,846	47,793
Total comprehensive income for the period attributable to equity holders of the Bank	356,053	305,911	656,374	600,012

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017**

GROUP	← Non-distributable →				Distributable		Total
	Share capital	Share premium	Statutory reserve	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017							
Balance as at 1 January 2017	470,000	322,555	470,000	146,736	57,029	7,032,664	8,498,984
Profit for the period	-	-	-	-	-	608,325	608,325
Other comprehensive income	-	-	-	-	45,846	-	45,846
Total comprehensive income	-	-	-	-	45,846	608,325	654,171
Transactions with owners/other equity movements:							
Transfer pursuant to Companies Act 2016	322,555	(322,555)	-	-	-	-	-
Transfer to retained earnings	-	-	(470,000)	-	-	470,000	-
Dividends paid:							
- final dividend for the financial year ended 31 December 2016	-	-	-	-	-	(385,870)	(385,870)
Balance as at 30 June 2017	792,555	-	-	146,736	102,875	7,725,119	8,767,285

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS

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

FOR THE PERIOD ENDED 30 JUNE 2017

GROUP (cont'd.)	← Non-distributable				Net unrealised reserves on AFS securities	→ Distributable		Total
	Share capital	Share premium	Statutory reserve	Revaluation reserves		Retained profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016								
Balance as at 1 January 2016	470,000	322,555	470,000	145,190	63,289	6,305,544		7,776,578
Profit for the period	-	-	-	-	-	551,264		551,264
Other comprehensive income	-	-	-	-	47,793	-		47,793
Total comprehensive income	-	-	-	-	47,793	551,264		599,057
Transactions with owners:								
Dividends paid:								
- final dividend for the financial year ended 31 December 2015	-	-	-	-	-	(373,650)		(373,650)
Balance as at 30 June 2016	470,000	322,555	470,000	145,190	111,082	6,483,158		8,001,985

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017**

BANK	← Non-distributable →				Distributable	Total
	Share capital	Share premium	Statutory reserve	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Balance as at 1 January 2017	470,000	322,555	470,000	50,127	7,097,119	8,409,801
Profit for the period	-	-	-	-	610,528	610,528
Other comprehensive income	-	-	-	45,846	-	45,846
Total comprehensive income	-	-	-	45,846	610,528	656,374
Transactions with owners/other equity movements:						
Transfer pursuant to Companies Act 2016	322,555	(322,555)	-	-	-	-
Transfer to retained earnings	-	-	(470,000)	-	470,000	-
Dividends paid:						
- final dividend for the financial year ended 31 December 2016	-	-	-	-	(385,870)	(385,870)
Balance as at 30 June 2017	792,555	-	-	95,973	7,791,777	8,680,305

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS

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

FOR THE PERIOD ENDED 30 JUNE 2017

BANK (cont'd.)	← Non-distributable			→	Distributable	
	Share capital	Share premium	Statutory reserve	Net unrealised reserves on AFS securities	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016						
Balance as at 1 January 2016	470,000	322,555	470,000	56,387	6,368,438	7,687,380
Profit for the period	-	-	-	-	552,219	552,219
Other comprehensive income	-	-	-	47,793	-	47,793
Total comprehensive income	-	-	-	47,793	552,219	600,012
Transactions with owners:						
Dividends paid:						
- final dividend for the financial year ended 31 December 2015	-	-	-	-	(373,650)	(373,650)
Balance as at 30 June 2016	470,000	322,555	470,000	104,180	6,547,007	7,913,742

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017**

	Group		Bank	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	803,167	724,199	804,544	724,932
Adjustments for non-operating and non-cash items	79,837	257,952	73,794	252,971
Operating profit before working capital changes	883,004	982,151	878,338	977,903
Changes in working capital:				
Net changes in operating assets	(3,494,553)	3,480,108	(3,493,692)	3,480,587
Net changes in operating liabilities	4,151,856	3,406,048	4,150,767	3,403,953
Tax expense paid	(173,393)	(115,987)	(172,041)	(115,752)
Net cash generated from operating activities	1,366,914	7,752,320	1,363,372	7,746,691
Net cash (used in)/generated from investing activities	(4,433,674)	3,107	(4,430,132)	8,736
Net cash used in financing activities	(385,151)	(365,890)	(385,151)	(365,890)
Net (decrease)/increase in cash and cash equivalents	(3,451,911)	7,389,537	(3,451,911)	7,389,537
Cash and cash equivalents at beginning of the period	12,394,840	7,748,433	12,394,840	7,748,433
Cash and cash equivalents at end of the period	8,942,929	15,137,970	8,942,929	15,137,970
Analysis of cash and cash equivalents				
Cash and short-term funds	7,442,929	15,127,879	7,442,929	15,127,879
Deposits and placements with financial institutions	1,500,000	10,091	1,500,000	10,091
	8,942,929	15,137,970	8,942,929	15,137,970

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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EXPLANATORY NOTES

1. BASIS OF PREPARATION

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2016. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial positions and performance of the Group and the Bank since the financial year ended 31 December 2016.

The significant accounting policies and method of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2016.

The Group and the Bank have not adopted the following MFRSs and Amendments to MFRSs that have been issued by the MASB as they are not yet effective:

Effective for financial periods beginning on or after 1 January 2018

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

MFRS 15 Revenue from Contracts with Customers

Annual Improvements to MFRS Standards 2014–2016 Cycle

Amendments to MFRS 2 Classification and Measurement of Share-based

Payment Transactions

Clarifications to MFRS 15

Amendments to MFRS 140 Transfers of Investment Property

IC Int. 22: Foreign Currency Transaction and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

Effective for financial periods to be determined by the MASB

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

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

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EXPLANATORY NOTES

1. BASIS OF PREPARATION (cont'd.)

MFRS 9 Financial Instruments

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

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

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

Companies Act 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and all of the provisions other than Section 241 and Division 8 of Part III of the New Act came into operations on 31 January 2017.

Amongst the key changes introduced in the New Act which affects the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 includes:

- (a) removal of the authorised share capital;
- (b) shares of the Bank will cease to have par or nominal value; and
- (c) the Bank's share premium account will become part of the Bank's share capital.

During the period, the Bank had transferred a total of RM322,555,000 from its share premium account to the share capital pursuant to the New Act.

The adoption of the New Act did not have any financial impact on the Group and the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank for the financial period ended 30 June 2017.

5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 June 2017.

6. DEBT AND EQUITY SECURITIES

There were no issuances of shares, share buy-backs and repayment of debt and equity securities during the financial period ended 30 June 2017.

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that was brought forward from the previous audited financial statements for the financial year ended 31 December 2016.

8. DIVIDENDS

A final single-tier dividend of 82.1% in respect of the financial year ended 31 December 2016, amounting to RM385,870,000 was paid on 5 May 2017.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

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

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period ended 30 June 2017.

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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,417,929	995,640
Money at call and deposit placements maturing within one month	6,025,000	10,810,100
	<u>7,442,929</u>	<u>11,805,740</u>

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
Licensed banks	450,000	-
Bank Negara Malaysia	1,050,000	589,100
	<u>1,500,000</u>	<u>589,100</u>

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

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
Held-for-trading securities		
At fair value		
Malaysian Government treasury bills	1,017,492	119,049
Malaysian Government securities	341,357	59,526
Negotiable instruments of deposits	1,275,193	-
Bankers' acceptances	60,395	49,480
Total financial assets at FVTPL	<u>2,694,437</u>	<u>228,055</u>

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EXPLANATORY NOTES

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

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
At fair value		
Money market instruments		
Malaysian Government securities	7,117,239	3,745,842
Negotiable instruments of deposits	2,750,353	1,600,220
Cagamas bonds	1,299,308	1,262,029
	<u>11,166,900</u>	<u>6,608,091</u>
Private debt securities of companies incorporated		
In Malaysia		
Quoted corporate bonds	228,267	177,152
Impairment loss	(39,960)	(39,960)
	<u>188,307</u>	<u>137,192</u>
Quoted securities		
Shares of corporations in Malaysia	3,360	2,893
	<u>3,360</u>	<u>2,893</u>
Unquoted securities		
Shares	153,473	123,128
	<u>153,473</u>	<u>123,128</u>
At Cost		
Unquoted securities		
Private debt securities	276	276
	<u>276</u>	<u>276</u>
Total AFS securities	<u>11,512,316</u>	<u>6,871,580</u>
Movements in allowance for impairment on private debt securities are as follows:		
Balance as at 30 June/31 December	<u>(39,960)</u>	<u>(39,960)</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES**15. LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Overdrafts	3,164,488	3,141,034	3,164,488	3,141,034
Term loans/financing and revolving credits				
- Housing loans/financing	28,533,582	27,404,206	28,533,582	27,404,206
- Syndicated term loans/financing	661,787	827,109	661,787	827,109
- Other term loans/financing	35,928,659	35,039,619	36,109,410	35,221,195
Credit card receivables	2,434,218	2,458,943	2,434,218	2,458,943
Bills receivables	420,356	2,052,783	420,356	2,052,783
Trust receipts	2,222,399	2,127,203	2,222,399	2,127,203
Claims on customers under acceptance credits	5,238,670	4,826,146	5,238,670	4,826,146
Staff loans	42,764	44,929	42,764	44,929
Others	23,979	14,479	23,979	14,479
	78,670,902	77,936,451	78,851,653	78,118,027
Unearned interest/income	(617,775)	(129,182)	(617,775)	(129,182)
Gross loans, advances and financing	78,053,127	77,807,269	78,233,878	77,988,845
Allowance for impairment on loans, advances and financing				
- Individual impairment	(245,233)	(233,670)	(245,233)	(233,670)
- Collective impairment	(1,179,669)	(1,123,467)	(1,181,201)	(1,125,048)
Net loans, advances and financing	76,628,225	76,450,132	76,807,444	76,630,127

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15. LOANS, ADVANCES AND FINANCING (cont'd.)

(i) Gross loans, advances and financing by maturity structure:

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	22,047,221	22,108,480	22,047,221	22,108,480
One year to three years	3,900,751	4,099,853	4,081,502	4,281,429
Three years to five years	4,879,125	4,591,593	4,879,125	4,591,593
Over five years	47,226,030	47,007,343	47,226,030	47,007,343
	78,053,127	77,807,269	78,233,878	77,988,845

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

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	2,315	29,626	2,315	29,626
Domestic non-banking financial institutions				
- Stockbroking companies	17,981	13,007	17,981	13,007
- Others	475,420	441,181	475,420	441,181
Domestic business enterprises				
- Small medium enterprises	17,260,754	16,430,245	17,260,754	16,430,245
- Others	15,563,822	15,553,005	15,744,573	15,734,581
Individuals	38,076,790	37,300,286	38,076,790	37,300,286
Foreign entities	6,656,045	8,039,919	6,656,045	8,039,919
	78,053,127	77,807,269	78,233,878	77,988,845

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EXPLANATORY NOTES

15. LOANS, ADVANCES AND FINANCING (cont'd.)

(iii) Gross loans, advances and financing by interest/profit rate sensitivity:

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	30,826	33,940	30,826	33,940
- Other fixed rate loans/ financing	8,398,618	7,956,309	8,398,618	7,956,309
Variable rate				
- Base rate/base lending/ financing rate-plus	50,764,947	49,800,201	50,764,947	49,800,201
- Cost-plus	17,904,371	18,953,635	18,085,122	19,135,211
- Other variable rates	954,365	1,063,184	954,365	1,063,184
	78,053,127	77,807,269	78,233,878	77,988,845

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EXPLANATORY NOTES

15. LOANS, ADVANCES AND FINANCING (cont'd.)

(iv) Gross loans, advances and financing by economic sector:

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,378,145	1,235,844	1,378,145	1,235,844
Mining and quarrying	453,207	1,942,858	453,207	1,942,858
Manufacturing	5,959,080	5,626,009	5,959,080	5,626,009
Electricity, gas and water	105,271	92,441	105,271	92,441
Construction	7,457,801	7,250,289	7,457,801	7,250,289
Wholesale, retail trade, restaurants and hotels	9,945,184	9,454,824	9,945,184	9,454,824
Transport, storage and communication	1,233,736	1,252,791	1,233,736	1,252,791
Finance, insurance and business services	3,308,076	3,279,876	3,308,076	3,279,876
Real estate	4,767,084	5,071,053	4,947,835	5,252,629
Community, social and personal services	144,822	150,689	144,822	150,689
Households				
- purchase of residential properties	29,068,503	28,258,859	29,068,503	28,258,859
- purchase of non residential properties	9,023,001	8,988,061	9,023,001	8,988,061
- others	5,209,217	5,203,675	5,209,217	5,203,675
	78,053,127	77,807,269	78,233,878	77,988,845

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15. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
Balance as at 1 January	1,226,347	1,216,181
Classified as impaired during the period/year	418,816	872,015
Amount recovered	(141,898)	(322,069)
Reclassified as non-impaired	(136,179)	(417,263)
Amount written-off	(54,778)	(122,517)
Balance as at 30 June/31 December	1,312,308	1,226,347
Individual impairment	(245,233)	(233,670)
Net impaired loans, advances and financing	1,067,075	992,677
Ratio of net impaired loans, advances and financing to net loans, advances and financing	1.4%	1.3%

(vi) Movements in allowance for impairment on loans, advances and financing ("Impaired loans") are as follows:

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
<u>Collective Impairment</u>				
Balance as at 1 January	1,123,467	1,019,498	1,125,048	1,019,498
Impairment loss during the period/year	56,202	103,969	56,153	105,550
Balance as at 30 June/31 December	1,179,669	1,123,467	1,181,201	1,125,048

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15. LOANS, ADVANCES AND FINANCING (cont'd.)

(vi) **Movements in allowance for impairment on loans, advances and financing ("Impaired loans") are as follows (cont'd.):**

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
<u>Individual Impairment</u>		
Balance as at 1 January	233,670	183,854
Impairment loss during the period/year	117,963	275,821
Amount written back in respect of recoveries	(59,290)	(91,718)
Amount written-off	(45,923)	(126,610)
Interest recognised on impaired loans	(1,187)	(6,885)
Others	-	(792)
Balance as at 30 June/31 December	245,233	233,670

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

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	12,549	14,255
Manufacturing	134,209	134,662
Construction	181,287	162,417
Wholesale, retail trade, restaurants and hotels	170,121	126,630
Transport, storage and communication	97,016	99,836
Finance, insurance and business services	135,445	138,881
Real estate	67,836	47,759
Community, social and personal services	890	953
Households		
- purchase of residential properties	363,181	359,551
- purchase of non residential properties	51,713	46,064
- others	98,061	95,339
	1,312,308	1,226,347

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EXPLANATORY NOTES

15. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
In Malaysia	1,312,308	1,226,347

16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES)

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

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EXPLANATORY NOTES

16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (cont'd.)

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 June 2017			
Foreign exchange contracts			
- forwards	11,647,204	125,427	95,185
- swaps	13,298,583	91,102	154,032
- options	1,069,348	7,663	4,525
Interest rate related contracts			
- swaps	30,744,503	264,781	253,202
- futures	446,732	44	34
Equity related contracts			
- swaps	209,646	23,229	23,229
- options	1,280,665	34,297	34,297
Commodity related contracts			
- swaps	122,175	2,309	3,833
- futures	38,967	1,031	158
- options	546,890	-	303
	546,890	549,883	568,798

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EXPLANATORY NOTES**16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (cont'd.)**

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2016			
Foreign exchange contracts			
- forwards	8,801,305	361,477	69,132
- swaps	7,708,573	57,101	255,638
- options	747,239	11,610	8,564
Interest rate related contracts			
- swaps	27,438,123	270,447	331,307
- futures	874,770	248	16
Equity related contracts			
- swaps	237,424	43,247	43,247
- options	748,187	6,153	6,153
Commodity related contracts			
- swaps	305,016	16,773	15,981
- futures	50,281	866	1,026
- options	221,225	1,059	-
	<u>768,981</u>	<u>731,064</u>	

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

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17. OTHER ASSETS

	Group		Bank	
	30-Jun-17 RM'000	31-Dec-16 RM'000	30-Jun-17 RM'000	31-Dec-16 RM'000
Other receivables, deposits and prepayments	123,590	125,204	137,082	138,738
Accrued interest/profit receivable	154,649	101,508	154,649	101,508
Amount due from subsidiaries	-	-	147	142
Precious metal accounts	220,913	247,654	220,913	247,654
	499,152	474,366	512,791	488,042

18. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30-Jun-17 RM'000	31-Dec-16 RM'000	30-Jun-17 RM'000	31-Dec-16 RM'000
Demand deposits	20,986,352	21,416,915	20,987,078	21,419,651
Savings deposits	1,544,342	1,490,000	1,544,342	1,490,000
Fixed deposits	52,435,065	52,339,532	52,436,265	52,340,717
Negotiable instruments of deposits	349	343	349	343
Others	7,486,682	6,937,886	7,486,682	6,937,886
	82,452,790	82,184,676	82,454,716	82,188,597

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

	Group		Bank	
	30-Jun-17 RM'000	31-Dec-16 RM'000	30-Jun-17 RM'000	31-Dec-16 RM'000
Due within six months	34,076,613	34,619,235	34,077,813	34,620,420
Six months to one year	18,305,654	17,620,720	18,305,654	17,620,720
One year to three years	50,034	98,576	50,034	98,576
Three years to five years	3,113	1,344	3,113	1,344
	52,435,414	52,339,875	52,436,614	52,341,060

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EXPLANATORY NOTES

18. DEPOSITS FROM CUSTOMERS (cont'd.)

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

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Business enterprises				
- Subsidiaries	-	-	1,926	3,921
- Related companies	8,577	8,467	8,577	8,467
- Others	33,495,847	33,849,276	33,495,847	33,849,276
Individuals	43,083,505	43,105,992	43,083,505	43,105,992
Others	5,864,861	5,220,941	5,864,861	5,220,941
	82,452,790	82,184,676	82,454,716	82,188,597

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Licensed banks in Malaysia	884,330	1,980,357	884,330	1,980,357
Bank Negara Malaysia	1,331,651	1,384,357	1,331,651	1,384,357
Other financial institutions	6,971,802	1,507,989	6,971,832	1,508,019
	9,187,783	4,872,703	9,187,813	4,872,733

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EXPLANATORY NOTES**20. OTHER LIABILITIES**

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies	22,293	20,292	22,293	20,292
Accrued interest/profit payable	748,044	778,697	748,044	778,697
Accruals and provisions for operational expenses	131,939	172,502	130,712	171,057
Other payables and accruals	1,147,225	1,217,651	1,147,033	1,216,770
Deferred income	215,075	225,515	215,075	225,515
	2,264,576	2,414,657	2,263,157	2,412,331

21. SUBORDINATED BONDS

	Group and Bank	
	30-Jun-17	31-Dec-16
	RM'000	RM'000
RM500 million Subordinated Bonds 2013/2023, at par (Note (a))	500,000	500,000
RM1.0 billion Subordinated Bonds 2015/2025, at par (Note (b))	1,004,503	1,003,784
	1,504,503	1,503,784
Of which, fair value hedge loss (Note (b))	4,503	3,784

- (a) On 30 August 2013, the Bank issued RM500 million Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) ("the Bonds 1").

The Bonds 1 bear interest at the rate of 4.55% per annum from 30 August 2013 to 30 August 2018 and thereafter, the rate of interest will be reset to a fixed rate per annum equal to the Initial Spread (1.05%) plus the prevailing 5 years Malaysian Government Securities Rate.

The Bonds 1 may be redeemed at par at the option of the Bank, in whole but not in part, on 30 August 2018 or at any interest payment date thereafter.

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21. SUBORDINATED BONDS (cont'd.)

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

The Bonds 1 qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

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

The Bonds 2 bear interest at the rate of 4.65% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bonds 2 may be redeemed at par at the option of the Bank, in part or in whole, on 8 May 2020 or at any interest payment date thereafter.

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

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

As at 30 June 2017, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (31 December 2016: RM500 million) whereby the Bank receives a fixed interest rate of 4.65% per annum and pays variable interests rate of KLIBOR 6M plus 0.590% to 0.725% on the notional amount. The swap is being used to hedge exposure to changes in fair value of fixed rate of the Bonds 2.

The movement in fair value of the interest rate swap of RM719,565 (31 December 2016: RM4,057,000) are recognised in trading and investment income during the year. There is no ineffectiveness recognised for this hedge.

22. OPERATING REVENUE

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

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EXPLANATORY NOTES

23. INTEREST INCOME

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Interest income from loans, advances and financing	971,751	941,920	1,942,331	1,884,034
Interest income from impaired loans, advances and financing	17,698	18,128	32,939	48,929
Money at call and deposit placements with financial institutions	69,310	94,206	150,144	179,246
Financial assets at FVTPL	16,703	10,800	23,151	30,834
AFS securities	100,927	57,457	178,311	107,544
Others	562	845	742	2,528
	1,176,951	1,123,356	2,322,618	2,253,115
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(162)	(160)	(119)	(313)
- AFS securities	(2,260)	(3,291)	(4,703)	(5,829)
	1,174,529	1,119,905	2,322,796	2,246,973
Bank				
Interest income from loans, advances and financing	973,719	944,103	1,946,278	1,888,451
Interest income from impaired loans, advances and financing	17,698	18,128	32,939	48,929
Money at call and deposit placements with financial institutions	69,310	94,206	150,144	179,246
Financial assets at FVTPL	16,703	10,800	23,151	30,834
AFS securities	100,927	57,457	178,311	107,544
Others	562	845	742	2,528
	1,178,919	1,125,539	2,331,565	2,257,532
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(162)	(160)	(119)	(313)
- AFS securities	(2,260)	(3,291)	(4,703)	(5,829)
	1,176,497	1,122,088	2,326,743	2,251,390

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EXPLANATORY NOTES

24. INTEREST EXPENSE

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	617,263	618,489	1,231,537	1,222,505
Deposits and placements of banks and other financial institutions	26,692	16,218	44,950	30,604
Subordinated bonds	16,724	17,061	33,252	34,325
Others	579	475	1,081	1,209
	661,258	652,243	1,310,820	1,288,643
Bank				
Deposits from customers	617,275	618,509	1,231,567	1,222,547
Deposits and placements of banks and other financial institutions	26,692	16,218	44,950	30,604
Subordinated bonds	16,724	17,061	33,252	34,325
Others	579	475	1,081	1,209
	661,270	652,263	1,310,850	1,288,685

25. OTHER OPERATING INCOME

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	71,613	55,209	139,190	107,073
Guarantee fees	20,814	23,864	39,359	43,365
Service charges and fees	49,739	54,417	101,429	101,902
Commitment fees	7,476	7,873	15,040	14,987
Arrangement and participation fees	815	6,451	1,381	6,704
	150,457	147,814	296,399	274,031

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25. OTHER OPERATING INCOME (cont'd.)

Group (cont'd.)	Second Quarter Ended		Six Months Ended	
	30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	2,607	2,498	2,185	8,321
Unrealised loss on financial assets at FVTPL	(1,673)	(1,401)	(1,457)	(240)
Gain/(loss) from trading derivatives	14,106	(7,542)	31,967	(8,297)
Unrealised (loss)/gain from trading derivatives	(4,542)	149	10,701	17,057
Unrealised loss on fair value hedge	(1,304)	(1,292)	(720)	(7,760)
Gain/(loss) from sale of precious metal	395	826	267	(248)
Unrealised gain/(loss) from sale of precious metal	18	(15)	32	(36)
Gain from sale/recovery of AFS securities	4,022	8,168	4,022	19,106
Gross dividends from:				
- AFS securities unquoted in Malaysia	500	512	500	512
	14,129	1,903	47,497	28,415
<u>Other income</u>				
Foreign exchange gain, net	42,335	50,624	73,742	97,182
Rental income from operating leases	104	107	211	216
(Loss)/gain on disposal of property, plant and equipment	-	(4)	1,221	(4)
Others	3,456	3,199	6,766	6,501
	45,895	53,926	81,940	103,895
	210,481	203,643	425,836	406,341

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EXPLANATORY NOTES**25. OTHER OPERATING INCOME (cont'd.)**

Bank	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	71,613	55,209	139,190	107,073
Guarantee fees	20,814	23,864	39,359	43,365
Service charges and fees	49,803	54,481	101,558	102,031
Commitment fees	7,479	7,875	15,045	14,991
Arrangement and participation fees	815	6,451	1,381	6,704
	150,524	147,880	296,533	274,164
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	2,607	2,498	2,185	8,321
Unrealised loss on financial assets at FVTPL	(1,673)	(1,401)	(1,457)	(240)
Gain/(loss) from trading derivatives	14,106	(7,542)	31,967	(8,297)
Unrealised (loss)/gain from trading derivatives	(4,542)	149	10,701	17,057
Unrealised loss on fair value hedge	(1,304)	(1,292)	(720)	(7,760)
Gain/(loss) from sale of precious metal	395	826	267	(248)
Unrealised gain/(loss) from sale of precious metal	18	(15)	32	(36)
Gain from sale/recovery of AFS securities	4,022	8,168	4,022	19,106
Gross dividends from:				
- AFS securities unquoted in Malaysia	500	512	500	512
- an associate	-	-	1,921	-
	14,129	1,903	49,418	28,415

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EXPLANATORY NOTES

25. OTHER OPERATING INCOME (cont'd.)

	Second Quarter		Six Months	
	Ended		Ended	
Bank (cont'd.)	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
<u>Other income</u>				
Foreign exchange gain, net	42,335	50,624	73,742	97,182
(Loss)/gain on disposal of property, plant and equipment	-	(4)	1,221	(4)
Gain on liquidation of subsidiary	-	-	-	144
Others	3,456	3,199	6,762	6,512
	45,791	53,819	81,725	103,834
	210,444	203,602	427,676	406,413

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EXPLANATORY NOTES**26. OTHER OPERATING EXPENSES**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Personnel expenses	175,597	174,987	338,257	329,794
Establishment related expenses	62,715	55,969	119,125	108,613
Promotion and marketing related expenses	10,700	9,490	19,141	20,243
General administrative expenses	30,185	34,087	61,644	64,015
	279,197	274,533	538,167	522,665
<u>Personnel expenses</u>				
Wages, salaries and bonus	139,848	136,907	269,737	260,514
Defined contribution plan	22,154	21,676	42,494	41,029
Other employee benefits	13,595	16,404	26,026	28,251
	175,597	174,987	338,257	329,794
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	14,009	12,664	27,845	27,349
Information technology costs	14,651	11,843	33,611	26,369
Repair and maintenance	9,155	6,552	12,669	10,374
Rental of premises	3,760	3,795	7,626	7,607
Others	21,140	21,115	37,374	36,914
	62,715	55,969	119,125	108,613
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	10,700	9,490	19,141	20,243
<u>General administrative expenses</u>				
Fees and commissions paid	10,750	10,302	21,582	21,079
Others	19,435	23,785	40,062	42,936
	30,185	34,087	61,644	64,015

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EXPLANATORY NOTES**26. OTHER OPERATING EXPENSES (cont'd.)**

Bank	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	174,643	173,970	336,344	327,878
Establishment related expenses	66,079	59,444	125,454	114,210
Promotion and marketing related expenses	10,683	9,480	19,113	20,225
General administrative expenses	30,141	34,074	61,573	63,965
	281,546	276,968	542,484	526,278
<u>Personnel expenses</u>				
Wages, salaries and bonus	139,053	136,065	268,160	258,923
Defined contribution plan	22,037	21,552	42,267	40,795
Other employee benefits	13,553	16,353	25,917	28,160
	174,643	173,970	336,344	327,878
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	11,916	10,680	23,660	22,268
Information technology costs	14,651	11,843	33,611	26,369
Repair and maintenance	8,875	6,239	12,174	9,954
Rental of premises	8,525	8,526	17,157	17,070
Others	22,112	22,156	38,852	38,549
	66,079	59,444	125,454	114,210
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	10,683	9,480	19,113	20,225
<u>General administrative expenses</u>				
Fees and commissions paid	10,710	10,299	21,522	21,042
Others	19,431	23,775	40,051	42,923
	30,141	34,074	61,573	63,965

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EXPLANATORY NOTES

27. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Allowance for impaired loans, advances and financing				
(a) Individual impairment				
- made in the period	72,998	61,317	117,963	111,563
- written back in the period	(36,326)	(16,324)	(59,290)	(38,426)
(b) Collective impairment				
- (written back)/made in the period	(2,753)	23,647	56,202	73,420
Impaired loans, advances and financing				
- written-off	5,815	873	12,809	1,526
- recovered	(12,028)	(11,159)	(24,059)	(20,919)
	27,706	58,354	103,625	127,164
Bank				
Allowance for impaired loans, advances and financing				
(a) Individual impairment				
- made in the period	72,998	61,317	117,963	111,563
- written back in the period	(36,326)	(16,324)	(59,290)	(38,426)
(b) Collective impairment				
- (written back)/made in the period	(2,783)	23,647	56,153	73,420
Impaired loans, advances and financing				
- written-off	5,815	873	12,809	1,526
- recovered	(12,028)	(11,159)	(24,059)	(20,919)
	27,676	58,354	103,576	127,164

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EXPLANATORY NOTES

28. SEGMENT INFORMATION

Operating Segments

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

Retail

The Retail segment covers Personal Financial Services, Business and Private Banking. Personal Financial Services serves the individual customers, offer a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Banking caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning. Business Banking serves small enterprises, offer a range of products and services, including deposits, loans, trade, foreign exchange and insurance products.

Wholesale Banking (WB)

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group ("FIG"), Multinational Corporates (MNC), Investment Banking and Transaction Banking. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies. FIG serves financial institutions as well as non-bank financial institutions. Commercial Banking, Corporate Banking, MNC and FIG provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, ship finance, trade finance, structured finance, cash management and cross-border payments. Investment Banking provides services that include principal advisor, lead manager and facility agent for the arrangement of both syndicated loans and Private Debt Securities. Transaction Banking provides trade finance and cash management services.

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Global Markets (GM)

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

Others

Others segment includes corporate support functions and decisions not attributable to business segments mentioned above and property-related activities.

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 June 2017							
Operating income	705,936	541,249	88,427	126,528	1,462,140	(15,353)	1,446,787
Other operating expenses	(363,606)	(106,283)	(25,487)	(54,658)	(550,034)	11,867	(538,167)
Allowance for impairment on loans, advances and financing	(39,083)	(64,535)	42	-	(103,576)	(49)	(103,625)
Provision for commitments and contingencies-net	-	(1,940)	-	-	(1,940)	-	(1,940)
Share of net profit of an associate	-	-	-	112	112	-	112
Profit before taxation	<u>303,247</u>	<u>368,491</u>	<u>62,982</u>	<u>71,982</u>	<u>806,702</u>	<u>(3,535)</u>	<u>803,167</u>
Income tax expense							<u>(194,842)</u>
							<u>608,325</u>

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
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Other information

For period ended 30 June 2017

Inter-segment operating income	84,962	109,741	(328,320)	148,970	15,353	(15,353)	-
Depreciation of property, plant and equipment	3,932	1,234	1,075	21,562	27,803	42	27,845

As at 30 June 2017

Gross loans, advances and financing	49,593,118	28,239,932	-	400,828	78,233,878	(180,751)	78,053,127
Deposits from customers	53,483,438	28,845,265	3,835	122,178	82,454,716	(1,926)	82,452,790

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 June 2016							
Operating income	630,545	524,552	97,563	125,614	1,378,274	(13,603)	1,364,671
Other operating expenses	(348,154)	(103,996)	(24,996)	(57,442)	(534,588)	11,923	(522,665)
Allowance for impairment on loans, advances and financing	(28,171)	(98,980)	-	(13)	(127,164)	-	(127,164)
Write back of commitments and contingencies-net	-	9,256	-	-	9,256	-	9,256
Share of net profit of an associate	-	-	-	101	101	-	101
Profit before taxation	<u>254,220</u>	<u>330,832</u>	<u>72,567</u>	<u>68,260</u>	<u>725,879</u>	<u>(1,680)</u>	<u>724,199</u>
Income tax expense							<u>(172,935)</u>
							<u>551,264</u>

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EXPLANATORY NOTES

28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
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Other information

For period ended 30 June 2016

Inter-segment operating income	19,143	145,234	(297,618)	146,844	13,603	(13,603)	-
Depreciation of property, plant and equipment	4,411	761	1,155	20,980	27,307	42	27,349

As at 31 December 2016

Gross loans, advances and financing	48,707,972	28,874,754	-	406,119	77,988,845	(181,576)	77,807,269
Deposits from customers	53,073,596	28,973,440	3,301	138,260	82,188,597	(3,921)	82,184,676

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EXPLANATORY NOTES

29. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework (Capital Components) and Basel II – Risk-weighted Assets.

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	792,555	470,000	792,555	470,000
Share premium	-	322,555	-	322,555
Retained profits	7,116,794	7,032,664	7,181,249	7,097,119
Statutory reserve	-	470,000	-	470,000
Other reserves	264,663	218,817	95,973	50,127
Regulatory adjustments applied in the calculation of CET1 Capital	(295,592)	(267,904)	(147,775)	(118,238)
Total CET1/Tier 1 Capital	7,878,420	8,246,132	7,922,002	8,291,563
<u>Tier 2 Capital</u>				
Tier 2 capital instruments	1,500,000	1,500,000	1,500,000	1,500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	278,045	277,107	279,182	277,107
- Collective impairment provisions	26,931	26,357	23,203	22,621
Regulatory adjustments applied in the calculation of Tier 2 Capital	70,784	68,111	(2,712)	(5,425)
Total Tier 2 Capital	1,875,760	1,871,575	1,799,673	1,794,303
Total Capital	9,754,180	10,117,707	9,721,675	10,085,866

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EXPLANATORY NOTES

29. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (cont'd.)

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

	Group		Bank	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
CET1/Tier 1 Capital	14.403%	15.205%	14.509%	15.371%
Total Capital	17.832%	18.656%	17.805%	18.698%

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

	Group		Bank	
	30-Jun-17 RM'000	31-Dec-16 RM'000	30-Jun-17 RM'000	31-Dec-16 RM'000
Total RWA for credit risk	48,495,379	48,293,056	48,386,615	47,994,189
Total RWA for market risk	1,068,511	967,178	1,068,511	967,178
Total RWA for operational risk	5,136,595	4,972,669	5,146,508	4,980,184
	54,700,485	54,232,903	54,601,634	53,941,551

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EXPLANATORY NOTES

30. COMMITMENTS AND CONTINGENCIES

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

	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 30 June 2017			
Direct credit substitutes	3,078,018	3,028,918	2,421,462
Transaction-related contingent items	5,818,097	2,920,800	2,032,431
Short-term self-liquidating trade-related contingencies	454,636	99,870	60,972
Foreign exchange related contracts			
- less than one year	25,817,505	536,545	169,786
- more than one year to less than five years	249,486	17,900	17,338
Interest rate related contracts			
- less than one year	9,130,726	112,878	47,550
- more than one year to less than five years	16,760,230	820,018	479,853
- five years and above	118,798	8,157	4,557
Equity related contracts			
- less than one year	579,011	26,517	23,617
- more than one year to less than five years	911,300	36,452	7,071
Precious metal contracts			
- less than one year	14,141	-	-
Commodity related contracts			
- less than one year	136,471	14,058	6,407
- more than one year to less than five years	571,561	66,189	23,862
Undrawn credit facility			
- less than one year	13,778,891	786,738	157,052
- more than one year	11,112,014	6,179,917	3,518,464
- unconditionally cancellable	11,531,093	5,614,900	620,951
Total	100,061,978	20,269,857	9,591,373

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EXPLANATORY NOTES

30. COMMITMENTS AND CONTINGENCIES (cont'd.)

	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2016			
Direct credit substitutes	2,963,581	2,963,581	2,350,193
Transaction-related contingent items	5,751,113	2,907,914	2,029,319
Short-term self-liquidating trade-related contingencies	476,394	107,718	69,745
Foreign exchange related contracts			
- less than one year	16,559,657	627,679	262,095
- more than one year to less than five years	319,406	31,832	30,636
Interest rate related contracts			
- less than one year	8,070,548	136,859	55,150
- more than one year to less than five years	14,451,820	649,760	368,703
- five years and above	1,475,311	78,508	55,388
Equity related contracts			
- less than one year	383,707	16,572	9,803
- more than one year to less than five years	483,193	19,514	4,517
Commodity related contracts			
- less than one year	376,522	50,456	25,529
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility			
- less than one year	13,374,793	809,243	210,181
- more than one year	12,384,483	6,857,557	4,195,239
- unconditionally cancellable	11,139,281	5,384,369	632,007
Total	88,409,809	20,665,562	10,310,505

Disclosure of the principal amount and credit equivalent of the commitments and contingencies are as per BNM's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

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EXPLANATORY NOTES

31. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Bank	
	30-Jun-17	31-Dec-16
Outstanding credit exposures with connected parties (RM'000)	1,110,585	1,054,729
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.420%	1.352%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.000%	0.000%

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

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EXPLANATORY NOTES

32. PERFORMANCE REVIEW

The Group reported a profit before taxation of RM803.2 million for the first half of 2017, RM79.0 million or 10.9% higher than same period last year. The increase in profit driven by higher net interest income, higher operating income and lower allowance for impairment on loans and advances, partially offset by higher other operating expenses.

Net interest income grew 5.6% or RM53.6 million to RM1,012.0 million mainly contributed by higher interest income from customer loans, advances and financing coupled with interest income from available-for-sale securities, partially offset by higher interest expenses from customer deposits and net placements of financial institutions.

Other operating income increased by 4.8% or RM19.5 million to RM425.8 million primarily due to increase in fee income; and trading and investment income, partly offset by lower foreign exchange gain. Net income from Islamic Banking business was recorded at RM9.0 million.

Expenses increased by 3.0% or RM15.5 million to RM538.2 million as the Group continued to invest in long-term growth largely on building our people, infrastructure and technology to sharpen our capabilities. We maintained discipline in cost management and our cost to income ratio improved to 37.2%, compared to the previous year of 38.3%.

Allowance for impairment on loans and advances lowered by RM23.5 million to RM103.6 million mainly contributed by lower collective impairment of RM17.2 million coupled with lower individual impairment of RM6.3 million. Asset quality remained sound with net non-performing loans ratio at 1.4%.

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EXPLANATORY NOTES

33. PROSPECTS FOR 2017

Global conditions have showed signs of improvement. Trade volumes are expanding, confidence levels rising, and economies are benefiting from stronger external demand. Nevertheless, there are risks to global growth from protectionism, geopolitical developments, and heightened volatility of financial markets as major central banks pursue monetary policy normalisation.

In line with the improving global outlook, Malaysia's economy expanded 5.6% year-on-year in first quarter of 2017. This marks the highest quarterly growth rate in two years thanks to higher domestic demand and broad based expansion across all key sectors. Private consumption has proven more resilient than expected thanks to positive wage growth, a flexible labor force, and expanding employment. Consumer spending has also been cushioned by government support in the form of BR1M program, reduction in EPF contribution rates and tax incentives. Business sentiment turned more upbeat in first quarter amid strengthened export orders, production activity and company earnings. Private investments accelerated alongside higher inflows of foreign direct investments. With stronger revenue buffers, both public consumption and investments gained traction.

Bank Negara Malaysia (BNM) has kept interest rates on hold and signaled that the current level of interest rate is appropriate based on present economic conditions. Generally all key sectors are expected to expand this year aided by the strength in exports, infrastructure projects, fiscal support measures, and accommodative monetary policy.

Alongside an unpredictable and volatile macro backdrop in 2017, we continue to remain committed to investing in our capabilities to serve our customers' needs, to sustain resilient balance sheet through targeted investments and to leverage on the technology growth for our customers' convenience.

The group is expected to achieve satisfactory set of result in 2017

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34. ISLAMIC BANKING OPERATIONS

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	30-Jun-17 RM'000	31-Dec-16 RM'000
Assets			
Cash and short-term funds	a	647,155	763,688
Available-for-sale ("AFS") securities	b	30,057	29,889
Financing, advances and others	c	271,674	104,635
Other assets	d	970	769
Plant and equipment		79	87
Deferred tax assets		93	175
Total assets		950,028	899,243
Liabilities and Islamic banking funds			
Deposits from customers	e	483,862	447,100
Deposits and placements of banks and other financial institutions	f	12,923	220
Bills and acceptances payables		16	-
Other liabilities	g	5,378	2,675
Tax Payable		7	7
Total liabilities		502,186	450,002
Capital fund	h	450,000	450,000
Reserves	h	(2,158)	(759)
Islamic Banking funds		447,842	449,241
Total liabilities and Islamic Banking funds		950,028	899,243
Commitments and contingencies	n	129,107	1,071

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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34. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017**

		14-Jul-16 to 31-Dec-16
	Note	RM'000
Income derived from depositors' funds	i	2,285
Income derived from investment of Islamic Banking funds	j	5,116
Allowance for impairment on financing, advance and others	k	(80)
Net provision for commitments and contingencies		-
Total attributable income		<u>7,321</u>
Income attributable to depositors	l	(2,476)
Total net income		4,845
Other operating expenses	m	(5,308)
Loss before taxation		(463)
Income tax income		57
Loss after taxation		<u>(406)</u>
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net gain on revaluation of AFS securities		(464)
Income tax effect		111
Total other comprehensive income for the period, net of tax		<u>(353)</u>
Total comprehensive loss for the period		<u>(759)</u>

Islamic Banking Window started its operation on 14 July 2016, hence, there are no comparative figures for the preceding year comparative period.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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34. ISLAMIC BANKING OPERATIONS (cont'd.)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 30 JUNE 2017

	Capital fund RM'000	Net unrealised reserves on AFS securities RM'000	Accumulated losses RM'000	Total RM'000
2017				
Balance as at 1 January 2016	450,000	(353)	(406)	449,241
Loss for the period	-	-	(1,576)	(1,576)
Other comprehensive income	-	177	-	177
Total comprehensive loss	-	177	(1,576)	(1,399)
Capital reallocation from conventional banking	-	-	-	-
Balance as at 30 June 2017	450,000	(176)	(1,982)	447,842

	Capital fund RM'000	Net unrealised reserves on AFS securities RM'000	Accumulated losses RM'000	Total RM'000
2016				
Balance as at 14 July 2016	200,000	-	-	200,000
Loss for the period	-	-	(406)	(406)
Other comprehensive loss	-	(353)	-	(353)
Total comprehensive loss	-	(353)	(406)	(759)
Capital reallocation from conventional banking	250,000	-	-	250,000
Balance as at 31 December 2016	450,000	(353)	(406)	449,241

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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34. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017**

	30-Jun-17	14-Jul-16 to 31-Dec-16
	RM'000	RM'000
Loss before taxation	(1,550)	(463)
Adjustments for non-operating and non-cash items	2,803	(900)
Operating profit /(loss) before working capital changes	1,253	(1,363)
Changes in working capital:		
Net changes in operating assets	(171,106)	(105,484)
Net changes in operating liabilities	52,184	449,995
Net cash (used in)/generated from operating activities	(117,669)	343,148
Net cash (used in)/generated from investing activities	1,136	(29,460)
Net cash generated from financing activities	-	450,000
Net (decrease)/increase in cash and cash equivalents	(116,533)	763,688
Cash and cash equivalents at beginning of the period	763,688	-
Cash and cash equivalents at end of the period	647,155	763,688
Analysis of cash and cash equivalents		
Cash and short term funds	647,155	763,668

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

a. Cash and short-term funds

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Cash and balances with banks and other financial institutions	12,155	4,688
Money at call and deposit placements maturing within one month	635,000	759,000
	<u>647,155</u>	<u>763,688</u>

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

	30-Jun-17	31-Dec-16
	RM'000	RM'000
At fair value		
Money market instruments		
Government Islamic investment	30,057	29,889
Total AFS securities	<u>30,057</u>	<u>29,889</u>

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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

c. Financing, advances and others

(i) Financing by type of Shariah contract:

	30-Jun-17	31-Dec-16
	RM'000	RM'000
<u>Tawarrug</u>		
Term financing and revolving credits		
- Housing financing	325,853	4,540
- Others term financing	451,594	131,624
Claim on customers under acceptance credits	5,300	-
	782,747	136,164
Unearned income	(507,127)	(31,449)
Gross financing, advances and others	275,620	104,715
Allowance for losses on financing, advances and others		
- Collective impairment	(3,946)	(80)
Net financing, advances and others	271,674	104,635

(ii) Gross financing, advances and others by maturity structure:

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Maturing within one year	48,005	100,062
One year to three years	100,401	-
Three years to five years	10,965	-
Over five years	116,249	4,653
	275,620	104,715

(iii) Gross financing, advances and others by type of customers:

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprises	101,549	4,270
- Others	141,856	100,062
Individuals	27,347	383
Foreign entities	4,868	-
	275,620	104,715

UNITED OVERSEAS BANK (MALAYSIA) BHD
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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

c. Financing, advances and others (cont'd.)

(iv) Gross financing, advances and others by profit rate sensitivity:

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Fixed rate		
- Other fixed rate financing	5,300	-
Variable rates:		
- Base rate/base financing rate-plus	121,958	4,653
- Cost-plus	148,362	100,062
	<u>275,620</u>	<u>104,715</u>

(v) Gross financing, advances and others by economic sectors:

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Manufacturing	31,084	-
Construction	105,291	104,332
Wholesale, retail trade, restaurants and hotels	53,496	-
Transport, storage and communication	9,865	-
Finance, insurance and business services	37,760	-
Real estate	3,588	-
Community, social and personal services	2,321	-
Households		
- purchase of residential properties	28,378	383
- purchase of non residential properties	3,476	-
- others	361	-
	<u>275,620</u>	<u>104,715</u>

(vi) Movements in allowance for losses on financing, advances and others are as follows:

	30-Jun-17	31-Dec-16
	RM'000	RM'000
<u>Collective impairment</u>		
Balance as at 1 January	80	-
Impairment loss made during the period	3,866	80
Balance as at 31 March	<u>3,946</u>	<u>80</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD
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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

d. Other assets

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Other receivables, deposits and prepayments	4	-
Profit receivables	966	769
	970	769

e. Deposits from customers

(i) By type of deposits:

	30-Jun-17	31-Dec-16
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	53,137	9,956
Savings deposits		
- Qard	4,227	1,970
Fixed deposits		
- Tawarruq	424,798	325,334
Other deposits		
- Tawarruq	1,700	109,840
	483,862	447,100

(ii) The maturity structure of fixed deposits is as follows:

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Due within six months	227,490	215,700
Six months to one year	197,308	109,634
	424,798	325,334

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

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Business enterprises	390,771	292,980
Individuals	65,780	37,690
Others	27,311	116,430
	483,862	447,100

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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

f. Deposits and placements of banks and other financial institutions

	30-Jun-17	31-Dec-16
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	12,923	220

g. Other liabilities

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Accrued profit payable	3,997	2,064
Accruals and provisions for operational expenses	1,381	611
	5,378	2,675

h. Islamic Banking funds

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Capital fund	450,000	450,000
Net unrealised reserves on AFS securities	(176)	(353)
Accumulated losses	(1,982)	(406)
	447,842	449,241

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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

i. Income derived from depositors' funds

	Six Month Ended	
	14-Jul-16	to
	30-Jun-17	31-Dec-16
	RM'000	RM'000
<u>Finance income and hibah</u>		
Financing, advances and others	3,889	72
Money at call and deposit placements with financial institutions	<u>5,315</u>	<u>2,213</u>
	<u>9,204</u>	<u>2,285</u>

j. Income derived from investment of Islamic Banking funds

	Six Month Ended	
	14-Jul-16	to
	30-Jun-17	31-Dec-16
	RM'000	RM'000
<u>Finance income and hibah</u>		
Financing, advances and others	448	1
Money at call and deposit placements with financial institutions	<u>5,241</u>	<u>4,117</u>
AFS securities	<u>456</u>	<u>944</u>
	<u>6,145</u>	<u>5,062</u>
<u>Other operating income</u>		
Trading income	615	40
Commision income	217	-
Fee income	236	14
Others	<u>2</u>	<u>-</u>
	<u>7,215</u>	<u>5,116</u>

k. Allowance for impairment on financing, advances and others

	Six Month Ended	
	14-Jul-16	to
	30-Jun-17	31-Dec-16
	RM'000	RM'000
Allowance for impairment on financing, advances and others		
Collective impairment		
- made during the period	<u>3,866</u>	<u>80</u>

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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

I. Income attributable to depositors

Six Month Ended

	14-Jul-16 to 30-Jun-17	31-Dec-16
	RM'000	RM'000
Income attributable to depositors from non-mudharabah fund	7,444	2,476

m. Other operating expenses

Six Month Ended

	14-Jul-16 to 30-Jun-17	31-Dec-16
	RM'000	RM'000
Personnel expenses	595	609
Establishment related expenses	88	44
Promotion and marketing related expenses	2	89
General administrative expenses	5,974	4,566
	6,659	5,308
Personnel expenses		
- Wages, salaries and bonus	468	498
- Defined contribution plan	107	83
- Other employee benefits	20	28
	595	609
Establishment related expenses		
- Depreciation of property, plant and equipment	8	4
- Repair and maintenance	4	19
- Rental of premises	6	6
- Others	70	15
	88	44
Promotion and marketing related expenses		
- Advertisement and publicity	2	89
General administrative expenses		
- Fees and commissions paid	133	244
- Management fee	5,739	4,079
- Others	102	243
	5,974	4,566

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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

p. Capital management and capital adequacy

The capital adequacy ratios of Islamic Banking window are computed in accordance with Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banking (Capital Components) and Basel II - Risk-weighted Assets Framework for Islamic Banking.

	30-Jun-17	31-Dec-16
	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Accumulated losses	(1,982)	(406)
Other reserves	(176)	(353)
Regulatory adjustments applied in the calculation of CET1 Capital	(93)	(175)
Total CET1/Tier 1 Capital	447,749	449,066
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	33	-
- Collective impairment provisions	1	-
Total Tier 2 Capital	34	-
Total Capital	447,783	449,066

(a) The capital adequacy ratios are as follows:

	30-Jun-17	31-Dec-16
CET1/Tier 1 Capital	172.348%	427.722%
Total Capital	172.361%	427.722%

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

	30-Jun-17	31-Dec-16
	RM'000	RM'000
Total RWA for credit risk	233,826	95,851
Total RWA for market risk	-	-
Total RWA for operational risk	25,968	9,139
	259,794	104,990

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34. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

n. Commitments and contingencies

The off-balance sheet exposures and their related counterparty credit risk are as follows:

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 30 June 2017			
Direct credit substitutes	2,000	2,000	1,464
Foreign exchange related contracts			
- less than one year	2,771	-	-
Undrawn credit facility			
- less than one year	18,700	750	825
- more than one year	105,636	63,803	27,869
Total	129,107	66,553	30,159

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2016			
Undrawn credit facility			
- more than one year	1,071	718	152
Total	1,071	718	152