

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
31 MARCH 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 31 MARCH 2017**

	Notes	Group		Bank	
		31-Mar-17 RM'000	31-Dec-16 RM'000	31-Mar-17 RM'000	31-Dec-16 RM'000
ASSETS					
Cash and short-term funds	11	10,422,188	11,805,740	10,422,188	11,805,740
Securities purchased under resale agreements		284,908	644,041	284,908	644,041
Deposits and placements with financial institutions	12	589,100	589,100	589,100	589,100
Financial assets at fair value through profit or loss ("FVTPL")	13	1,298,908	228,055	1,298,908	228,055
Available-for-sale ("AFS") securities	14	10,090,190	6,871,580	10,090,190	6,871,580
Loans, advances and financing	15	77,093,350	76,450,132	77,277,355	76,630,127
Derivative financial assets	16	583,425	768,981	583,425	768,981
Other assets	17	527,037	474,366	535,956	488,042
Statutory deposits with Bank Negara Malaysia		1,736,536	2,098,668	1,736,536	2,098,668
Investment in subsidiaries		-	-	40	40
Investment in an associate		9,688	11,554	13,522	13,522
Property, plant and equipment		537,525	530,574	239,072	231,728
Deferred tax assets		43,986	46,052	43,987	46,052
Total assets		103,216,841	100,518,843	103,115,187	100,415,676
LIABILITIES					
Deposits from customers	18	82,982,013	82,735,289	82,983,766	82,739,210
Deposits and placements of banks and other financial institutions	19	7,400,312	4,872,703	7,400,342	4,872,733
Bills and acceptances payable		239,736	227,516	239,736	227,516
Derivative financial liabilities	16	604,261	731,064	604,261	731,064
Other liabilities	20	1,611,404	1,864,044	1,610,069	1,861,718
Tax payable		64,250	70,905	63,692	69,850
Deferred tax liabilities		14,554	14,554	-	-
Subordinated bonds	21	1,503,199	1,503,784	1,503,199	1,503,784
Total liabilities		94,419,729	92,019,859	94,405,065	92,005,875

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)

AS AT 31 MARCH 2017

	Notes	Group		Bank	
		31-Mar-17 RM'000	31-Dec-16 RM'000	31-Mar-17 RM'000	31-Dec-16 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		470,000	470,000	470,000	470,000
Reserves		8,327,112	8,028,984	8,240,122	7,939,801
Total equity		8,797,112	8,498,984	8,710,122	8,409,801
TOTAL LIABILITIES AND EQUITY		103,216,841	100,518,843	103,115,187	100,415,676
Commitments and contingencies	30	99,464,883	88,409,809	99,464,883	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.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017

Group	Notes	First Quarter Ended		Three Months Ended	
		31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Operating revenue	22	1,366,436	1,324,769	1,366,436	1,324,769
Interest income	23	1,148,267	1,127,068	1,148,267	1,127,068
Interest expense	24	(649,562)	(636,400)	(649,562)	(636,400)
Net interest income		498,705	490,668	498,705	490,668
Net income from Islamic					
Banking operations	33	3,746	-	3,746	-
Other operating income	25	215,355	202,698	215,355	202,698
Operating income		717,806	693,366	717,806	693,366
Other operating expenses	26	(258,970)	(248,132)	(258,970)	(248,132)
Operating profit before allowance for impairment on loans, advances and financing, and provision for commitments and contingencies		458,836	445,234	458,836	445,234
Allowance for impairment on loans, advances and financing	27	(75,919)	(68,810)	(75,919)	(68,810)
Writeback of/(provision) for commitments and contingencies		892	(39)	892	(39)
		383,809	376,385	383,809	376,385
Share of net profit of an associate		56	68	56	68
Profit before taxation		383,865	376,453	383,865	376,453
Income tax expense		(92,278)	(88,908)	(92,278)	(88,908)
Profit for the period attributable to equity holders of the Bank		291,587	287,545	291,587	287,545
Basic Earnings per share (sen)		62.0	61.2	62.0	61.2

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 31 MARCH 2017

Bank	Notes	First Quarter Ended		Three Months Ended	
		31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Operating revenue	22	1,370,296	1,327,117	1,370,296	1,327,117
Interest income	23	1,150,246	1,129,302	1,150,246	1,129,302
Interest expense	24	(649,580)	(636,422)	(649,580)	(636,422)
Net interest income		500,666	492,880	500,666	492,880
Net income from Islamic					
Banking operations	33	3,746	-	3,746	-
Other operating income	25	217,232	202,811	217,232	202,811
Operating income		721,644	695,691	721,644	695,691
Other operating expenses	26	(260,938)	(249,310)	(260,938)	(249,310)
Operating profit before allowance for impairment on loans, advances and financing, and provision for commitments and contingencies		460,706	446,381	460,706	446,381
Allowance for impairment on loans, advances and financing	27	(75,900)	(68,810)	(75,900)	(68,810)
Writeback of/(provision) for commitments and contingencies		892	(39)	892	(39)
Profit before taxation		385,698	377,532	385,698	377,532
Income tax expense		(91,918)	(88,889)	(91,918)	(88,889)
Profit for the period attributable to equity holders of the Bank		293,780	288,643	293,780	288,643
Basic Earnings per share (sen)		62.5	61.4	62.5	61.4

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 31 MARCH 2017

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
Profit for the period	291,587	287,545	291,587	287,545
<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	8,607	7,182	8,607	7,182
Income tax effect	(2,066)	(1,724)	(2,066)	(1,724)
Total other comprehensive income for the period, net of tax	6,541	5,458	6,541	5,458
Total comprehensive income for the period attributable to equity holders of the Bank	298,128	293,003	298,128	293,003

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 31 MARCH 2017

	First Quarter		Three Months	
	Ended		Ended	
Bank	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
Profit for the period	293,780	288,643	293,780	288,643
<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	8,607	7,182	8,607	7,182
Income tax effect	(2,066)	(1,724)	(2,066)	(1,724)
Total other comprehensive income for the period, net of tax	6,541	5,458	6,541	5,458
Total comprehensive income for the period attributable to equity holders of the Bank	300,321	294,101	300,321	294,101

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 31 MARCH 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	-	-	-	-	-	291,587	291,587
Other comprehensive income	-	-	-	-	6,541	-	6,541
Total comprehensive income	-	-	-	-	6,541	291,587	298,128
Balance as at 31 March 2017	470,000	322,555	470,000	146,736	63,570	7,324,251	8,797,112

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 31 MARCH 2017

GROUP (cont'd.)	← 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
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	-	-	-	-	-	287,545	287,545
Other comprehensive income	-	-	-	-	5,458	-	5,458
Total comprehensive income	-	-	-	-	5,458	287,545	293,003
Balance as at 31 March 2016	470,000	322,555	470,000	145,190	68,747	6,593,089	8,069,581

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 31 MARCH 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	-	-	-	-	293,780	293,780
Other comprehensive income	-	-	-	6,541	-	6,541
Total comprehensive income	-	-	-	6,541	293,780	300,321
Balance as at 31 March 2017	470,000	322,555	470,000	56,668	7,390,899	8,710,122

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CONDENSED INTERIM FINANCIAL STATEMENTS

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

FOR THE PERIOD ENDED 31 MARCH 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	-	-	-	-	288,643	288,643
Other comprehensive income	-	-	-	5,458	-	5,458
Total comprehensive income	-	-	-	5,458	288,643	294,101
Balance as at 31 March 2016	470,000	322,555	470,000	61,845	6,657,081	7,981,481

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 CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	Group		Bank	
	31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Profit before taxation	383,865	376,453	385,698	377,532
Adjustments for non-operating and non-cash items	99,701	226,888	95,723	223,857
Operating profit before working capital changes	483,566	603,341	481,421	601,389
Changes in working capital:				
Net changes in operating assets	(936,002)	4,779,251	(935,237)	4,779,234
Net changes in operating liabilities	2,321,112	(2,983,359)	2,319,934	(2,984,368)
Tax expense paid	(98,933)	(58,528)	(98,077)	(58,377)
Net cash generated from operating activities	1,769,743	2,340,705	1,768,041	2,337,878
Net cash used in investing activities	(3,152,710)	(467,788)	(3,151,008)	(464,961)
Net cash (used in)/generated from financing activities	(585)	6,468	(585)	6,468
Net (decrease)/increase in cash and cash equivalents	(1,383,552)	1,879,385	(1,383,552)	1,879,385
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	11,011,288	9,627,818	11,011,288	9,627,818
Analysis of cash and cash equivalents				
Cash and short-term funds	10,422,188	9,613,355	10,422,188	9,613,355
Deposits and placements with financial institutions	589,100	14,463	589,100	14,463
	11,011,288	9,627,818	11,011,288	9,627,818

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

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES

1. BASIS OF PREPARATION (cont'd.)

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

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments 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.

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.

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 31 March 2017.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES

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 31 March 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 31 March 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

There were no dividend paid for the financial period ended 31 March 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 31 March 2017.

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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Cash and balances with banks and other financial institutions	852,188	995,640
Money at call and deposit placements maturing within one month	9,570,000	10,810,100
	<u>10,422,188</u>	<u>11,805,740</u>

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Bank Negara Malaysia	589,100	589,100
	<u>589,100</u>	<u>589,100</u>

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

	Group and Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Held-for-trading securities		
At fair value		
Malaysian Government treasury bills	502,228	119,049
Malaysian Government securities	220,384	59,526
Negotiable instruments of deposits	420,064	-
Bankers' acceptances	156,232	49,480
Total financial assets at FVTPL	<u>1,298,908</u>	<u>228,055</u>

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EXPLANATORY NOTES

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

	Group and Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
At fair value		
Money market instruments		
Malaysian Government treasury bills	179,076	-
Malaysian Government securities	6,527,722	3,745,842
Negotiable instruments of deposits	1,890,207	1,600,220
Cagamas bonds	1,228,455	1,262,029
	9,825,460	6,608,091
Private debt securities of companies incorporated		
In Malaysia:		
Quoted corporate bonds	177,907	177,152
Impairment loss	(39,960)	(39,960)
	137,947	137,192
Quoted securities		
Shares of corporations in Malaysia	3,379	2,893
	3,379	2,893
Unquoted securities		
Shares	123,128	123,128
	123,128	123,128
At Cost		
Unquoted securities		
Private debt securities	276	276
	276	276
Total AFS securities	10,090,190	6,871,580
Movements in allowance for impairment on private debt securities are as follows:		
Balance as at 1 January/31 March	(39,960)	(39,960)

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EXPLANATORY NOTES

15. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Overdrafts	3,163,821	3,141,034	3,163,821	3,141,034
Term loans/financing and revolving credits				
- Housing loans/financing	27,855,827	27,404,206	27,855,827	27,404,206
- Syndicated term loans/financing	821,264	827,109	821,264	827,109
- Other term loans/financing	35,867,248	35,039,619	36,052,815	35,221,195
Credit card receivables	2,416,591	2,458,943	2,416,591	2,458,943
Bills receivables	1,365,106	2,052,783	1,365,106	2,052,783
Trust receipts	2,209,276	2,127,203	2,209,276	2,127,203
Claims on customers under acceptance credits	4,984,135	4,826,146	4,984,135	4,826,146
Staff loans	43,929	44,929	43,929	44,929
Others	18,736	14,479	18,736	14,479
	78,745,933	77,936,451	78,931,500	78,118,027
Unearned interest/income	(236,253)	(129,182)	(236,253)	(129,182)
Gross loans, advances and financing	78,509,680	77,807,269	78,695,247	77,988,845
Allowance for impairment on loans, advances and financing				
- Individual impairment	(233,908)	(233,670)	(233,908)	(233,670)
- Collective impairment	(1,182,422)	(1,123,467)	(1,183,984)	(1,125,048)
Net loans, advances and financing	77,093,350	76,450,132	77,277,355	76,630,127

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EXPLANATORY NOTES

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

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

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	22,646,957	22,108,480	22,646,957	22,108,480
One year to three years	4,091,822	4,099,853	4,277,389	4,281,429
Three years to five years	4,467,093	4,591,593	4,467,093	4,591,593
Over five years	47,303,808	47,007,343	47,303,808	47,007,343
	78,509,680	77,807,269	78,695,247	77,988,845

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

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	13,433	29,626	13,433	29,626
Domestic non-banking financial institutions				
- Stockbroking companies	22,975	13,007	22,975	13,007
- Others	447,299	441,181	447,299	441,181
Domestic business enterprises				
- Small medium enterprises	16,798,451	16,430,245	16,798,451	16,430,245
- Others	16,049,148	15,553,005	16,234,715	15,734,581
Individuals	37,665,896	37,300,286	37,665,896	37,300,286
Foreign entities	7,512,478	8,039,919	7,512,478	8,039,919
	78,509,680	77,807,269	78,695,247	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	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	32,309	33,940	32,309	33,940
- Other fixed rate loans/ financing	8,098,211	7,956,309	8,098,211	7,956,309
Variable rate				
- Base rate/base lending/ financing rate-plus	50,240,359	49,800,201	50,240,359	49,800,201
- Cost-plus	19,136,867	18,953,635	19,322,434	19,135,211
- Other variable rates	1,001,934	1,063,184	1,001,934	1,063,184
	78,509,680	77,807,269	78,695,247	77,988,845

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

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

	Group		Bank	
	31-Mar-17 RM'000	31-Dec-16 RM'000	31-Mar-17 RM'000	31-Dec-16 RM'000
Agriculture, hunting, forestry and fishing	1,528,581	1,235,844	1,528,581	1,235,844
Mining and quarrying	1,353,004	1,942,858	1,353,004	1,942,858
Manufacturing	5,691,900	5,626,009	5,691,900	5,626,009
Electricity, gas and water	100,930	92,441	100,930	92,441
Construction	7,439,639	7,250,289	7,439,639	7,250,289
Wholesale, retail trade, restaurants and hotels	10,037,715	9,454,824	10,037,715	9,454,824
Transport, storage and communication	1,264,305	1,252,791	1,264,305	1,252,791
Finance, insurance and business services	3,267,818	3,279,876	3,267,818	3,279,876
Real estate	4,841,712	5,071,053	5,027,279	5,252,629
Community, social and personal services	143,007	150,689	143,007	150,689
Households				
- purchase of residential properties	28,673,687	28,258,859	28,673,687	28,258,859
- purchase of non residential properties	8,990,140	8,988,061	8,990,140	8,988,061
- others	5,177,242	5,203,675	5,177,242	5,203,675
	78,509,680	77,807,269	78,695,247	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	
	31-Mar-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	175,343	872,015
Amount recovered	(72,646)	(322,069)
Reclassified as non-impaired	(68,333)	(417,263)
Amount written-off	(26,656)	(122,517)
Balance as at 31 March/31 December	1,234,055	1,226,347
Individual impairment	(233,908)	(233,670)
Net impaired loans, advances and financing	1,000,147	992,677
Ratio of net impaired loans, advances and financing to net loans, advances and financing	1.3%	1.3%

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

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-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	58,955	103,969	58,936	105,550
Balance as at 31 March/31 December	1,182,422	1,123,467	1,183,984	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 are as follows (cont'd.):

	Group and Bank	
	31-Mar-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	44,965	275,821
Amount written back in respect of recoveries	(22,964)	(91,718)
Amount written-off	(21,190)	(126,610)
Interest recognised on impaired loans	(774)	(6,885)
Others	201	(792)
Balance as at 31 March/31 December	233,908	233,670

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

	Group and Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	13,961	14,255
Manufacturing	136,831	134,662
Construction	166,311	162,417
Wholesale, retail trade, restaurants and hotels	128,872	126,630
Transport, storage and communication	97,963	99,836
Finance, insurance and business services	133,188	138,881
Real estate	47,492	47,759
Community, social and personal services	917	953
Households		
- purchase of residential properties	362,670	359,551
- purchase of non residential properties	47,839	46,064
- others	98,011	95,339
	1,234,055	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	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
In Malaysia	1,234,055	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 31 March 2017			
Foreign exchange contracts			
- forwards	9,843,599	194,149	58,975
- swaps	13,468,570	33,311	161,568
- options	848,562	8,718	5,658
Interest rate related contracts			
- swaps	31,387,979	279,031	309,504
- futures	1,004,021	298	-
Equity related contracts			
- swaps	238,267	36,165	35,989
- options	1,097,613	24,661	24,661
Commodity related contracts			
- swaps	188,778	3,261	7,436
- futures	40,951	3,831	-
- options	568,436	-	470
	583,425	604,261	

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

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EXPLANATORY NOTES**17. OTHER ASSETS**

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	154,539	125,204	163,313	138,738
Accrued interest/profit receivable	126,756	101,508	126,756	101,508
Amount due from subsidiaries	-	-	145	142
Precious metal accounts	245,742	247,654	245,742	247,654
	527,037	474,366	535,956	488,042

18. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Demand deposits	21,172,146	21,416,915	21,172,707	21,419,651
Savings deposits	1,568,371	1,490,000	1,568,371	1,490,000
Fixed deposits	53,637,851	52,610,387	53,639,043	52,611,572
Negotiable instruments of deposits	346	343	346	343
Others	6,603,299	7,217,644	6,603,299	7,217,644
	82,982,013	82,735,289	82,983,766	82,739,210

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

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Due within six months	33,733,275	34,720,159	33,734,467	34,721,344
Six months to one year	19,604,038	17,634,725	19,604,038	17,634,725
One year to three years	300,572	254,502	300,572	254,502
Three years to five years	312	1,344	312	1,344
	53,638,197	52,610,730	53,639,389	52,611,915

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EXPLANATORY NOTES

18. DEPOSITS FROM CUSTOMERS (cont'd.)

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

	Group		Bank	
	31-Mar-17 RM'000	31-Dec-16 RM'000	31-Mar-17 RM'000	31-Dec-16 RM'000
Business enterprises				
- Subsidiaries	-	-	1,753	3,921
- Related companies	9,169	8,467	9,169	8,467
- Others	33,700,353	33,876,004	33,700,353	33,876,004
Individuals	43,829,105	43,478,554	43,829,105	43,478,554
Others	5,443,386	5,372,264	5,443,386	5,372,264
	82,982,013	82,735,289	82,983,766	82,739,210

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31-Mar-17 RM'000	31-Dec-16 RM'000	31-Mar-17 RM'000	31-Dec-16 RM'000
Licensed banks in Malaysia	908,783	1,980,357	908,783	1,980,357
Bank Negara Malaysia	1,429,955	1,384,357	1,429,955	1,384,357
Other financial institutions	5,061,574	1,507,989	5,061,604	1,508,019
	7,400,312	4,872,703	7,400,342	4,872,733

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EXPLANATORY NOTES**20. OTHER LIABILITIES**

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies	19,400	20,292	19,400	20,292
Accrued interest/profit payable	762,331	778,697	762,331	778,697
Accruals and provisions for operational expenses	92,208	172,502	91,067	171,057
Other payables and accruals	516,012	667,038	515,818	666,157
Deferred income	221,453	225,515	221,453	225,515
	1,611,404	1,864,044	1,610,069	1,861,718

21. SUBORDINATED BONDS

	Group and Bank	
	31-Mar-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))	1,003,199	1,003,784
	1,503,199	1,503,784
Of which, fair value hedge loss (Note (b))	3,199	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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EXPLANATORY NOTES

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 31 March 2017, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (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 RM584,367 (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	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Interest income from loans, advances and financing	970,580	942,114	970,580	942,114
Interest income from impaired loans, advances and financing	15,241	30,801	15,241	30,801
Money at call and deposit placements with financial institutions	80,834	85,040	80,834	85,040
Financial assets at FVTPL	6,448	20,034	6,448	20,034
AFS securities	77,384	50,087	77,384	50,087
Others	180	1,683	180	1,683
	1,150,667	1,129,759	1,150,667	1,129,759
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	43	(153)	43	(153)
- AFS securities	(2,443)	(2,538)	(2,443)	(2,538)
	1,148,267	1,127,068	1,148,267	1,127,068
Bank				
Interest income from loans, advances and financing	972,559	944,348	972,559	944,348
Interest income from impaired loans, advances and financing	15,241	30,801	15,241	30,801
Money at call and deposit placements with financial institutions	80,834	85,040	80,834	85,040
Financial assets at FVTPL	6,448	20,034	6,448	20,034
AFS securities	77,384	50,087	77,384	50,087
Others	180	1,683	180	1,683
	1,152,646	1,131,993	1,152,646	1,131,993
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	43	(153)	43	(153)
- AFS securities	(2,443)	(2,538)	(2,443)	(2,538)
	1,150,246	1,129,302	1,150,246	1,129,302

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EXPLANATORY NOTES

24. INTEREST EXPENSE

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	614,274	604,016	614,274	604,016
Deposits and placements of banks and other financial institutions	18,258	14,386	18,258	14,386
Subordinated bonds	16,528	17,264	16,528	17,264
Others	502	734	502	734
	649,562	636,400	649,562	636,400
Bank				
Deposits from customers	614,292	604,038	614,292	604,038
Deposits and placements of banks and other financial institutions	18,258	14,386	18,258	14,386
Subordinated bonds	16,528	17,264	16,528	17,264
Others	502	734	502	734
	649,580	636,422	649,580	636,422

25. OTHER OPERATING INCOME

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	67,577	51,864	67,577	51,864
Guarantee fees	18,545	19,501	18,545	19,501
Service charges and fees	51,690	47,485	51,690	47,485
Commitment fees	7,564	7,114	7,564	7,114
Arrangement and participation fees	566	253	566	253
	145,942	126,217	145,942	126,217

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25. OTHER OPERATING INCOME (cont'd.)

Group (cont'd.)	First Quarter Ended		Three Months Ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
<u>Trading and Investment income</u>				
(Loss)/gain from sale of financial assets at FVTPL	(422)	5,823	(422)	5,823
Unrealised gain on financial assets at FVTPL	216	1,161	216	1,161
Gain/(loss) from trading derivatives	17,861	(755)	17,861	(755)
Unrealised gain from trading derivatives	15,243	16,908	15,243	16,908
Unrealised gain/(loss) on fair value hedge	584	(6,468)	584	(6,468)
Loss from sale of precious metal	(128)	(1,074)	(128)	(1,074)
Unrealised gain/(loss) from sale of precious metal	14	(21)	14	(21)
Gain from sale/recovery of AFS securities	-	10,938	-	10,938
	33,368	26,512	33,368	26,512
<u>Other income</u>				
Foreign exchange gain	31,407	46,558	31,407	46,558
Rental income from operating leases	107	109	107	109
Gain on disposal of property, plant and equipment	1,221	-	1,221	-
Others	3,310	3,302	3,310	3,302
	36,045	49,969	36,045	49,969
	215,355	202,698	215,355	202,698

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EXPLANATORY NOTES

25. OTHER OPERATING INCOME (cont'd.)

Bank	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	67,577	51,864	67,577	51,864
Guarantee fees	18,545	19,501	18,545	19,501
Service charges and fees	51,755	47,550	51,755	47,550
Commitment fees	7,566	7,116	7,566	7,116
Arrangement and participation fees	566	253	566	253
	146,009	126,284	146,009	126,284
<u>Trading and Investment income</u>				
(Loss)/gain from sale of financial assets at FVTPL	(422)	5,823	(422)	5,823
Unrealised gain on financial assets at FVTPL	216	1,161	216	1,161
Gain/(loss) from trading derivatives	17,861	(755)	17,861	(755)
Unrealised gain from trading derivatives	15,243	16,908	15,243	16,908
Unrealised gain/(loss) on fair value hedge	584	(6,468)	584	(6,468)
Loss from sale of precious metal	(128)	(1,074)	(128)	(1,074)
Unrealised gain/(loss) from sale of precious metal	14	(21)	14	(21)
Gain from sale/recovery of AFS securities	-	10,938	-	10,938
Gross dividends from:				
- an associate	1,921	-	1,921	-
	35,289	26,512	35,289	26,512

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25. OTHER OPERATING INCOME (cont'd.)

	First Quarter		Three Months	
	Ended		Ended	
Bank (cont'd.)	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
<u>Other income</u>				
Foreign exchange gain	31,407	46,558	31,407	46,558
Gain on disposal of property, plant and equipment	1,221	-	1,221	-
Gain on liquidation of subsidiary	-	144	-	144
Others	3,306	3,313	3,306	3,313
	35,934	50,015	35,934	50,015
	217,232	202,811	217,232	202,811

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26. OTHER OPERATING EXPENSES

Group	First Quarter Ended		Three Months Ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Personnel expenses	162,660	154,807	162,660	154,807
Establishment related expenses	56,410	52,644	56,410	52,644
Promotion and marketing related expenses	8,441	10,753	8,441	10,753
General administrative expenses	31,459	29,928	31,459	29,928
	258,970	248,132	258,970	248,132
<u>Personnel expenses</u>				
Wages, salaries and bonus	129,889	123,607	129,889	123,607
Defined contribution plan	20,340	19,353	20,340	19,353
Other employee benefits	12,431	11,847	12,431	11,847
	162,660	154,807	162,660	154,807
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	13,836	14,685	13,836	14,685
Information technology costs	18,960	14,526	18,960	14,526
Repair and maintenance	3,514	3,822	3,514	3,822
Rental of premises	3,866	3,812	3,866	3,812
Others	16,234	15,799	16,234	15,799
	56,410	52,644	56,410	52,644
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	8,441	10,753	8,441	10,753
<u>General administrative expenses</u>				
Fees and commissions paid	10,832	10,777	10,832	10,777
Others	20,627	19,151	20,627	19,151
	31,459	29,928	31,459	29,928

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

Bank	First Quarter Ended		Three Months Ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Personnel expenses	161,701	153,908	161,701	153,908
Establishment related expenses	59,375	54,766	59,375	54,766
Promotion and marketing related expenses	8,430	10,745	8,430	10,745
General administrative expenses	31,432	29,891	31,432	29,891
	260,938	249,310	260,938	249,310
<u>Personnel expenses</u>				
Wages, salaries and bonus	129,107	122,858	129,107	122,858
Defined contribution plan	20,230	19,243	20,230	19,243
Other employee benefits	12,364	11,807	12,364	11,807
	161,701	153,908	161,701	153,908
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	11,744	11,588	11,744	11,588
Information technology costs	18,960	14,526	18,960	14,526
Repair and maintenance	3,299	3,715	3,299	3,715
Rental of premises	8,632	8,544	8,632	8,544
Others	16,740	16,393	16,740	16,393
	59,375	54,766	59,375	54,766
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	8,430	10,745	8,430	10,745
<u>General administrative expenses</u>				
Fees and commissions paid	10,812	10,743	10,812	10,743
Others	20,620	19,148	20,620	19,148
	31,432	29,891	31,432	29,891

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

Group	First Quarter Ended		Three Months Ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Allowance for impaired loans, advances and financing				
(a) Individual impairment				
- made in the period	44,965	50,246	44,965	50,246
- written back in the period	(22,964)	(22,102)	(22,964)	(22,102)
(b) Collective impairment				
- made in the period	58,955	49,773	58,955	49,773
Impaired loans, advances and financing				
- written-off	6,994	653	6,994	653
- recovered	(12,031)	(9,760)	(12,031)	(9,760)
	75,919	68,810	75,919	68,810
Bank				
Allowance for impaired loans, advances and financing				
(a) Individual impairment				
- made in the period	44,965	50,246	44,965	50,246
- written back in the period	(22,964)	(22,102)	(22,964)	(22,102)
(b) Collective impairment				
- made in the period	58,936	49,773	58,936	49,773
Impaired loans, advances and financing				
- written-off	6,994	653	6,994	653
- recovered	(12,031)	(9,760)	(12,031)	(9,760)
	75,900	68,810	75,900	68,810

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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 31 March 2017							
Operating income	352,414	277,418	27,471	69,140	726,443	(8,637)	717,806
Other operating expenses	(179,109)	(52,898)	(12,678)	(20,233)	(264,918)	5,948	(258,970)
Allowance for impairment on loans, advances and financing	(19,566)	(56,359)	25	-	(75,900)	(19)	(75,919)
Writeback of provision commitments and contingencies	-	892	-	-	892	-	892
Share of net profit of an associate	-	-	-	56	56	-	56
Profit before taxation	153,739	169,053	14,818	48,963	386,573	(2,708)	383,865
Income tax expense							(92,278)
							<u>291,587</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 31 March 2017

Inter-segment operating income	48,762	53,662	(173,108)	79,321	8,637	(8,637)	-
Depreciation of property, plant and equipment	1,998	575	533	10,709	13,815	21	13,836

As at 31 March 2017

Gross loans, advances and financing	49,114,411	29,170,169	-	410,667	78,695,247	(185,567)	78,509,680
Deposits from customers	54,000,305	28,470,858	378,617	133,986	82,983,766	(1,753)	82,982,013

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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 31 March 2016							
Operating income	313,664	263,564	61,659	61,372	700,259	(6,893)	693,366
Other operating expenses	(169,499)	(51,365)	(12,369)	(20,876)	(254,109)	5,977	(248,132)
Allowance for impairment on loans, advances and financing	(29,326)	(39,523)	-	39	(68,810)	-	(68,810)
Provision for commitments and contingencies	-	(39)	-	-	(39)	-	(39)
Share of net profit of an associate	-	-	-	68	68	-	68
Profit before taxation	114,839	172,637	49,290	40,603	377,369	(916)	376,453
Income tax expense							(88,908)
							<u>287,545</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
Other information							
For period ended 31 March 2016							
Inter-segment operating income	5,955	73,330	(145,129)	72,737	6,893	(6,893)	-
Depreciation of property, plant and equipment	2,337	408	607	11,312	14,664	21	14,685
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	53,344,451	28,973,440	283,058	138,261	82,739,210	(3,921)	82,735,289

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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	
	31-Mar-17	31-Dec-16	31-Mar-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	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits	7,032,664	7,032,664	7,097,119	7,097,119
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	225,359	218,817	56,668	50,127
Regulatory adjustments applied in the calculation of CET1 Capital	(268,658)	(267,904)	(120,886)	(118,238)
Total CET1/Tier 1 Capital	8,251,920	8,246,132	8,295,456	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	276,048	277,107	276,048	277,107
- Collective impairment provisions	26,425	26,357	22,693	22,621
Regulatory adjustments applied in the calculation of Tier 2 Capital	70,795	68,111	(2,712)	(5,425)
Total Tier 2 Capital	1,873,268	1,871,575	1,796,029	1,794,303
Total Capital	10,125,188	10,117,707	10,091,485	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	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
CET1/Tier 1 Capital	15.226%	15.205%	15.388%	15.371%
Total Capital	18.682%	18.656%	18.720%	18.698%
CET1/Tier 1 Capital*	14.514%	14.494%	14.672%	14.656%
Total Capital*	17.970%	17.945%	18.004%	17.982%

* net of proposed dividends

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

	Group		Bank	
	31-Mar-17 RM'000	31-Dec-16 RM'000	31-Mar-17 RM'000	31-Dec-16 RM'000
Total RWA for credit risk	48,122,076	48,293,056	47,823,541	47,994,189
Total RWA for market risk	1,010,927	967,178	1,010,927	967,178
Total RWA for operational risk	5,064,714	4,972,669	5,073,428	4,980,184
	54,197,717	54,232,903	53,907,896	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 their 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 31 March 2017			
Direct credit substitutes	3,072,727	3,027,633	2,445,214
Transaction-related contingent items	5,868,491	2,946,696	2,068,768
Short-term self-liquidating trade-related contingencies	450,113	99,527	64,730
Foreign exchange related contracts			
- less than one year	23,737,695	494,310	178,411
- more than one year to less than five years	331,654	29,714	29,028
Interest rate related contracts			
- less than one year	8,905,218	122,597	46,295
- more than one year to less than five years	18,146,078	882,429	494,451
- five years and above	99,154	7,053	4,127
Equity related contracts			
- less than one year	528,253	17,403	8,984
- more than one year to less than five years	807,627	33,257	6,662
Precious metal contracts			
- less than one year	5,537	-	-
Commodity related contracts			
- less than one year	250,816	24,261	13,202
- more than one year to less than five years	547,349	65,551	22,649
Undrawn credit facility			
- less than one year	13,893,504	805,459	132,511
- more than one year	11,359,935	6,292,718	3,637,903
- unconditionally cancellable	11,460,732	5,602,979	646,789
Total	99,464,883	20,451,587	9,799,724

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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. PERFORMANCE REVIEW

For the financial period ended 31 March 2017, the Group delivered a profit before taxation of RM383.9 million, an increase of RM7.4 million or 2.0% compared to same period last year. The increase in profit is mainly from higher operating income coupled with higher net interest income, partially offset by higher other operating expenses and allowance for impairment on loans and advances.

Net interest income rose 1.6% or RM8.0 million to RM498.7 million due to higher interest income from customer loans coupled with interest income from available-for-sale securities, partially offset by higher interest expenses from customer deposits and lower interest income from financial assets at fair-value-through-profit-or-loss.

Other operating income rose 6.2% or RM12.7 million to RM215.4 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 RM3.7 million.

Expenses increased by 4.4% or RM10.8 million to RM259.0 million, largely contributed by higher staff expenses and establishment related expenses. Expense-to-income ratio was 36.1% as we continued investments in building bench strength, infrastructure and technology to sharpen our capabilities.

Allowance for impairment on loans and advances increased by RM7.1 million to RM75.9 million mainly contributed by higher collective impairment of RM9.2 million, partially offset by lower individual impairment of RM2.1 million. Asset quality remained sound with net non-performing loans ratio stable at 1.3%.

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EXPLANATORY NOTES

32. 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, heightened volatility of financial markets and negative developments for commodities.

Despite the fragile external environment, Malaysia's economic growth has held above 4.0%. Economic indicators have improved since November last year with exports rebounding to double-digit growth and resilient manufacturing output over 4.0% buoyed by higher export orders. While domestic demand is facing headwinds from higher costs and inflation pressures, there has been a raft of domestic support measures to cushion household spending. Private consumption will be supported by positive wage adjustments for minimum wages, civil servant salaries and higher government cash-handouts.

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 fiscal support measures, infrastructure projects, and accommodative monetary policy.

Notwithstanding the challenging economy outlook, the Group will continue to build on its strengths, invest in capabilities to serve its customers' needs and remain committed to delivering sustainable value for our shareholders.

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

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33. ISLAMIC BANKING OPERATIONS

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 MARCH 2017**

	Note	31-Mar-17 RM'000	31-Dec-16 RM'000
Assets			
Cash and short-term funds	a	734,916	763,688
Available-for-sale ("AFS") securities	b	29,958	29,889
Financing, advances and others	c	153,183	104,635
Other assets	d	1,054	769
Plant and equipment		83	87
Deferred tax assets		151	175
Total assets		919,345	899,243
Liabilities and Islamic banking funds			
Deposits from customers	e	465,454	447,100
Deposits and placements of banks and other financial institutions	f	1,710	220
Bills and acceptances payables		10	-
Other liabilities	g	3,255	2,675
Tax Payable		7	7
Total liabilities		470,436	450,002
Capital fund	h	450,000	450,000
Reserves	h	(1,091)	(759)
Islamic Banking funds		448,909	449,241
Total liabilities and Islamic Banking funds		919,345	899,243
Commitments and contingencies	n	27,397	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.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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33. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

		14-Jul-16 to 31-Dec-16
	Note	31-Mar-17 RM'000
		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)
Total attributable income		<u>7,321</u>
Income attributable to depositors	l	(2,476)
Total net income		<u>4,845</u>
Other operating expenses	m	(5,308)
Loss for the period before taxation		<u>(463)</u>
Income tax income		57
Loss for the period after taxation		<u>(406)</u>
Other comprehensive loss:		
Net loss on revaluation of AFS securities		(464)
Income tax effect		111
Other comprehensive loss for the period, net of tax		<u>(353)</u>
Total comprehensive loss for the period		<u>(685)</u>

Islamic Banking Window started its operation on 14 July 2016, hence, there are no comparative figures for the preceeding 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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33. ISLAMIC BANKING OPERATIONS (cont'd.)
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 31 MARCH 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	-	-	(406)	(406)
Other comprehensive income	-	74	-	74
Total comprehensive loss	-	74	(406)	(332)
Capital reallocation from conventional banking		-	-	-
Balance as at 31 March 2017	450,000	(279)	(812)	448,909

	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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33. ISLAMIC BANKING OPERATIONS (cont'd.)
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	31-Mar-17	14-Jul-16 to 31-Dec-16
	RM'000	RM'000
Loss before taxation	(406)	(463)
Adjustments for non-operating and non-cash items	523	(900)
Operating loss before working capital changes	117	(1,363)
Changes in working capital:		
Net changes in operating assets	(49,604)	(105,484)
Net changes in operating liabilities	20,424	449,995
Net cash generated from operating activities	(29,063)	343,148
Net cash (used in) from investing activities	291	(29,460)
Net cash generated from financing activities	-	450,000
Net increase in cash and cash equivalents	(28,772)	763,688
Cash and cash equivalents at beginning of the period	763,688	-
Cash and cash equivalents at end of the period	734,916	763,688
Analysis of cash and cash equivalents		
Cash and short term funds	734,916	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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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

a. Cash and short-term funds

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Cash and balances with banks and other financial institutions	18,916	4,688
Money at call and deposit placements maturing within one month	716,000	759,000
	<u>734,916</u>	<u>763,688</u>

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

	31-Mar-17	31-Dec-16
	RM'000	RM'000
At fair value		
Money market instruments		
Government Islamic investment	29,958	29,889
Total AFS securities	<u>29,958</u>	<u>29,889</u>

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

c. Financing, advances and others

(i) Financing by type of Shariah contract:

	31-Mar-17	31-Dec-16
	RM'000	RM'000

Tawarruq

Term financing and revolving credits

- Housing financing	29,651	4,540
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- Others term financing	256,715	131,624
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Claim on customers under acceptance credits	1,513	-
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	287,879	136,164
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Unearned income	(133,845)	(31,449)
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Gross financing, advances and others	154,034	104,715
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Allowance for losses on financing,
advances and others

- Collective impairment	(851)	(80)
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Net financing, advances and others	153,183	104,635
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(ii) Gross financing, advances and others by maturity structure:

	31-Mar-17	31-Dec-16
	RM'000	RM'000

Maturing within one year	101,914	100,062
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One year to three years		
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Three years to five years	3,014	
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Over five years	49,106	4,653
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	154,034	104,715
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(iii) Gross financing, advances and others by type of customers:

	31-Mar-17	31-Dec-16
	RM'000	RM'000

Domestic business enterprises

- Small medium enterprises	48,311	4,270
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- Others	101,913	100,062
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Individuals	3,810	383
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	154,034	104,715
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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

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

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

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Fixed rate		
- Other fixed rate financing	1,513	-
Variable rates:		
- Base rate/base financing rate-plus	44,245	4,653
- Cost-plus	108,276	100,062
	<u>154,034</u>	<u>104,715</u>

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

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Manufacturing	14,900	-
Construction	104,649	104,332
Wholesale, retail trade, restaurants and hotels	20,826	-
Transport, storage and communication	4,660	-
Finance, insurance and business services	526	-
Real estate	3,620	-
Community, social and personal services	1,043	-
- purchase of residential properties	115	383
- purchase of non residential properties	3,695	-
	<u>154,034</u>	<u>104,715</u>

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

	31-Mar-17	31-Dec-16
	RM'000	RM'000
<u>Collective impairment</u>		
Balance as at 1 January	80	-
Impairment loss made during the period	771	80
Balance as at 31 March	<u>851</u>	<u>80</u>

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

d. Other assets

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Profit receivables	1,054	769

e. Deposits from customers

(i) By type of deposits:

	31-Mar-17	31-Dec-16
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	28,805	9,956
Savings deposits		
- Qard	3,160	1,970
Fixed deposits		
- Tawarruq	432,339	325,334
Other deposits		
- Tawarruq	1,150	109,840
	465,454	447,100

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

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Due within six months	283,297	215,700
Six months to one year	149,042	109,634
	432,339	325,334

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

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Business enterprises	383,323	292,980
Individuals	49,984	37,690
Others	32,147	116,430
	465,454	447,100

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

f. Deposits and placements of banks and other financial institutions

	31-Mar-17	31-Dec-16
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	1,710	220

g. Other liabilities

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Accrued profit payable	2,719	2,064
Accruals and provisions for operational expenses	537	611
	3,255	2,675

h. Islamic Banking funds

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Capital fund	450,000	450,000
Net unrealised reserves on AFS securities	(279)	(353)
Accumulated losses	(812)	(406)
	448,909	449,241

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

i. Income derived from depositors' funds

	14-Jul-16 to 31-Mar-17	31-Dec-16
	RM'000	RM'000
<u>Finance income and hibah</u>		
Financing, advances and others	1,606	72
Money at call and deposit placements with financial institutions	2,646	2,213
	<u>4,252</u>	<u>2,285</u>

j. Income derived from investment of Islamic Banking funds

	14-Jul-16 to 31-Mar-17	31-Dec-16
	RM'000	RM'000
<u>Finance income and hibah</u>		
Financing, advances and others	14	1
Money at call and deposit placements with financial institutions	2,738	4,117
AFS securities	227	944
	<u>2,979</u>	<u>5,062</u>
<u>Other operating income</u>		
Trading income	25	40
Commision income	50	-
Fee income	38	14
Others	1	-
	<u>3,093</u>	<u>5,116</u>

k. Allowance for impairment on financing, advances and others

	14-Jul-16 to 31-Mar-17	31-Dec-16
	RM'000	RM'000
Allowance for impairment on financing, advances and others		
Collective impairment		
- made during the period	771	80
	<u>771</u>	<u>80</u>

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

i. Income attributable to depositors

	31-Mar-17	14-Jul-16 to 31-Dec-16
	RM'000	RM'000
Income attributable to depositors from non-mudharabah fund	<u>3,599</u>	<u>2,476</u>

m. Other operating expenses

	31-Mar-17	14-Jul-16 to 31-Dec-16
	RM'000	RM'000
Personnel expenses	407	609
Establishment related expenses	35	44
Promotion and marketing related expenses	-	89
General administrative expenses	<u>2,939</u>	<u>4,566</u>
	<u>3,381</u>	<u>5,308</u>
Personnel expenses		
- Wages, salaries and bonus	305	498
- Defined contribution plan	84	83
- Other employee benefits	18	28
	<u>407</u>	<u>609</u>
Establishment related expenses		
- Depreciation of property, plant and equipment	4	4
- Repair and maintenance	2	19
- Rental of premises	3	6
- Others	26	15
	<u>35</u>	<u>44</u>
Promotion and marketing related expenses		
- Advertisement and publicity	-	89
	<u>-</u>	<u>89</u>
General administrative expenses		
- Fees and commissions paid	64	244
- Management fee	2,855	4,079
- Others	20	243
	<u>2,939</u>	<u>4,566</u>

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33. 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 the Bank Negara Malaysia Capital Adequacy Framework for Islamic Banking (Capital Components) and Basel II - Risk-weighted Assets Framework for Islamic Banking.

	31-Mar-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	(812)	(406)
Other reserves	(279)	(353)
Regulatory adjustments applied in the calculation of CET1 Capital	(151)	(175)
Total CET1/Tier 1 Capital	448,758	449,066
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	68	-
- Collective impairment provisions	1	-
Total Tier 2 Capital	69	-
Total Capital	448,827	449,066

(a) The capital adequacy ratios are as follows:

	31-Mar-17	31-Dec-16
CET1/Tier 1 Capital	335.305%	427.722%
Total Capital	335.356%	427.722%

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

	31-Mar-17	31-Dec-16
	RM'000	RM'000
Total RWA for credit risk	117,673	95,851
Total RWA for market risk	-	-
Total RWA for operational risk	16,163	9,139
	133,836	104,990

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33. 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 31 March 2017			
Direct credit substitutes	2,000	2,000	1,464
Undrawn credit facility			
- less than one year	15,487	-	-
- more than one year	9,911	6,893	2,394
Total	<u>27,397</u>	<u>8,893</u>	<u>3,858</u>

	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
	<u>1,071</u>	<u>718</u>	<u>152</u>