

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
31 MARCH 2015

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 2015**

	Notes	Group		Bank	
		31-Mar-15 RM'000	31-Dec-14 RM'000	31-Mar-15 RM'000	31-Dec-14 RM'000
ASSETS					
Cash and short-term funds	11	9,354,527	10,833,347	9,354,527	10,833,347
Securities purchased under resale agreements		-	502,709	-	502,709
Deposits and placements with financial institutions	12	123,392	130,516	123,392	130,516
Financial assets at fair value through profit or loss ("FVTPL")	13	1,915,107	2,392,138	1,915,107	2,392,138
Available-for-sale ("AFS") securities	14	8,015,209	9,250,843	8,015,209	9,250,843
Loans and advances	15	67,271,127	66,926,375	67,459,320	67,115,580
Derivative financial assets	16	1,132,319	905,946	1,132,319	905,946
Other assets	17	521,659	636,466	524,581	637,640
Statutory deposits with Bank Negara Malaysia		2,082,550	1,960,350	2,082,550	1,960,350
Investment in subsidiaries		-	-	50	50
Investment in an associate		97,066	96,485	99,973	99,973
Property, plant and equipment		440,529	427,703	194,258	180,789
Tax recoverable		23,967	16,366	23,962	16,347
Total assets		90,977,452	94,079,244	90,925,248	94,026,228
LIABILITIES AND EQUITY					
Deposits from customers	18	73,402,570	73,056,720	73,405,976	73,058,978
Deposits and placements of banks and other financial institutions	19	6,735,960	8,825,269	6,735,990	8,825,299
Bills and acceptances payables		686,861	1,732,417	686,861	1,732,417
Derivative financial liabilities	16	833,256	619,755	833,256	619,755
Other liabilities	20	1,392,495	1,711,587	1,391,217	1,709,929
Deferred tax liabilities		14,324	9,679	9,854	5,209
Subordinated bonds	21	500,000	999,884	500,000	999,884
Total liabilities		83,565,466	86,955,311	83,563,154	86,951,471

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)

AS AT 31 MARCH 2015

	Notes	Group		Bank	
		31-Mar-15 RM'000	31-Dec-14 RM'000	31-Mar-15 RM'000	31-Dec-14 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		470,000	470,000	470,000	470,000
Reserves		6,941,986	6,653,933	6,892,094	6,604,757
Total equity		7,411,986	7,123,933	7,362,094	7,074,757
TOTAL LIABILITIES AND EQUITY		90,977,452	94,079,244	90,925,248	94,026,228
Commitments and contingencies	30	77,423,584	76,294,367	77,423,584	76,294,367

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 2014.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2015

Group	Notes	First Quarter Ended		Three Months Ended	
		31-Mar-15 RM'000	31-Mar-14 RM'000	31-Mar-15 RM'000	31-Mar-14 RM'000
Operating revenue	22	1,224,312	1,130,599	1,224,312	1,130,599
Interest income	23	1,049,416	963,596	1,049,416	963,596
Interest expense	24	(569,130)	(558,171)	(569,130)	(558,171)
Net interest income		480,286	405,425	480,286	405,425
Other operating income	25	178,252	170,041	178,252	170,041
Operating income		658,538	575,466	658,538	575,466
Other operating expenses	26	(240,843)	(215,716)	(240,843)	(215,716)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and provision for commitments and contingencies		417,695	359,750	417,695	359,750
Allowance for impairment on loans and advances	27	(46,543)	(42,722)	(46,543)	(42,722)
Impairment loss on AFS securities		-	(9,725)	-	(9,725)
Provision for commitments and contingencies		(15,016)	(3,673)	(15,016)	(3,673)
		356,136	303,630	356,136	303,630
Share of net profit of an associate		581	67,163	581	67,163
Profit before taxation		356,717	370,793	356,717	370,793
Income tax expense		(83,011)	(74,366)	(83,011)	(74,366)
Profit for the period attributable to equity holders of the Bank		273,706	296,427	273,706	296,427
Basic Earnings per share (sen)		58.2	63.1	58.2	63.1

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 2014.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE PERIOD ENDED 31 MARCH 2015**

Bank	Notes	First Quarter Ended		Three Months Ended	
		31-Mar-15 RM'000	31-Mar-14 RM'000	31-Mar-15 RM'000	31-Mar-14 RM'000
Operating revenue	22	1,226,488	1,343,705	1,226,488	1,343,705
Interest income	23	1,051,658	965,322	1,051,658	965,322
Interest expense	24	(569,163)	(558,190)	(569,163)	(558,190)
Net interest income		482,495	407,132	482,495	407,132
Other operating income	25	178,187	381,421	178,187	381,421
Operating income		660,682	788,553	660,682	788,553
Other operating expenses	26	(243,149)	(217,487)	(243,149)	(217,487)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and provision for commitments and contingencies		417,533	571,066	417,533	571,066
Allowance for impairment on loans and advances	27	(46,543)	(42,722)	(46,543)	(42,722)
Impairment loss on AFS securities		-	(9,725)	-	(9,725)
Provision for commitments and contingencies		(15,016)	(3,673)	(15,016)	(3,673)
Profit before taxation		355,974	514,946	355,974	514,946
Income tax expense		(82,984)	(127,153)	(82,984)	(127,153)
Profit for the period attributable to equity holders of the Bank		272,990	387,793	272,990	387,793
Basic Earnings per share (sen)		58.1	82.5	58.1	82.5

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 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2015**

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000
Profit for the period	273,706	296,427	273,706	296,427
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net gain on revaluation of AFS securities	18,992	2,528	18,992	2,528
Income tax effect	(4,645)	-	(4,645)	-
Other comprehensive income for the period, net of tax	14,347	2,528	14,347	2,528
Total comprehensive income for the period attributable to equity holders of the Bank	288,053	298,955	288,053	298,955

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 2014.

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)

FOR THE PERIOD ENDED 31 MARCH 2015

	First Quarter		Three Months	
	Ended		Ended	
Bank	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000
Profit for the period	272,990	387,793	272,990	387,793
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income/(loss)				
to be reclassified to profit or loss				
in subsequent periods:				
Net gain on revaluation of				
AFS securities	18,992	2,528	18,992	2,528
Income tax effect	(4,645)	-	(4,645)	-
Other comprehensive income				
for the period, net of tax	14,347	2,528	14,347	2,528
Total comprehensive income for the				
period attributable to equity				
holders of the Bank	287,337	390,321	287,337	390,321

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 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2015**

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
Balance as at 1 January 2015	470,000	322,555	470,000	104,297	65,132	5,691,949	7,123,933
Profit for the period	-	-	-	-	-	273,706	273,706
Other comprehensive income	-	-	-	-	14,347	-	14,347
Total comprehensive income	-	-	-	-	14,347	273,706	288,053
Balance as at 31 March 2015	470,000	322,555	470,000	104,297	79,479	5,965,655	7,411,986

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CONDENSED INTERIM FINANCIAL STATEMENTS

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

FOR THE PERIOD ENDED 31 MARCH 2015

GROUP (con'td.)	← 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
2014							
Balance as at 1 January 2014	470,000	322,555	470,000	104,015	(5,274)	4,910,252	6,271,548
Profit for the period	-	-	-	-	-	296,427	296,427
Other comprehensive income	-	-	-	-	2,528	-	2,528
Total comprehensive income	-	-	-	-	2,528	296,427	298,955
Balance as at 31 March 2014	470,000	322,555	470,000	104,015	(2,746)	5,206,679	6,570,503

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2015**

BANK	← Non-distributable			Net unrealised reserves on AFS securities	→ Distributable	
	Share capital	Share premium	Statutory reserve		Retained profits	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2015	470,000	322,555	470,000	58,230	5,753,972	7,074,757
Profit for the period	-	-	-	-	272,990	272,990
Other comprehensive income	-	-	-	14,347	-	14,347
Total comprehensive income	-	-	-	14,347	272,990	287,337
Balance as at 31 March 2015	470,000	322,555	470,000	72,577	6,026,962	7,362,094

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CONDENSED INTERIM FINANCIAL STATEMENTS

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

FOR THE PERIOD ENDED 31 MARCH 2015

BANK (con'td.)	← Non-distributable			Net unrealised reserves on AFS securities	→ Distributable	
	Share capital	Share premium	Statutory reserve		Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014						
Balance as at 1 January 2014	470,000	322,555	470,000	(5,274)	4,806,883	6,064,164
Profit for the period	-	-	-	-	387,793	387,793
Other comprehensive income	-	-	-	2,528	-	2,528
Total comprehensive income	-	-	-	2,528	387,793	390,321
Balance as at 31 March 2014	470,000	322,555	470,000	(2,746)	5,194,676	6,454,485

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 2014.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2015**

	Group		Bank	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	356,717	370,793	355,974	514,946
Adjustments for non-operating and non-cash items	(55,513)	29,902	(56,471)	(115,604)
Operating profit before working capital changes	301,204	400,695	299,503	399,342
Changes in working capital:				
Net changes in operating assets	359,238	688,941	358,503	669,819
Net changes in operating liabilities	(2,866,836)	1,720,851	(2,865,309)	1,719,623
Tax expense paid	(90,613)	(66,859)	(90,598)	(66,858)
Net cash (used in)/generated from operating activities	(2,297,007)	2,743,628	(2,297,901)	2,721,926
Net cash generated from/(used in) investing activities	1,310,947	(2,052,799)	1,311,841	(2,031,097)
Net cash (used in)/generated from financing activities	(499,884)	113	(499,884)	113
Net (decrease)/increase in cash and cash equivalents	(1,485,944)	690,942	(1,485,944)	690,942
Cash and cash equivalents at beginning of the period	10,963,863	17,906,938	10,963,863	17,906,938
Cash and cash equivalents at end of the period	9,477,919	18,597,880	9,477,919	18,597,880
Analysis of cash and cash equivalents				
Cash and short term funds	9,354,527	14,286,461	9,354,527	14,286,461
Deposits and placements with financial institutions	123,392	4,311,419	123,392	4,311,419
	9,477,919	18,597,880	9,477,919	18,597,880

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 2014.

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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 2014. The explanatory notes attached to the condensed interim financial standards provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2014.

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 2014.

The Group and the Bank have not adopted the following MFRSs and Amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective:-

Effective for financial periods beginning on or after 1 January 2016

Annual Improvements to MFRSs 2012–2014 Cycle

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

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

MFRS 14: Regulatory Deferral Accounts

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

1. BASIS OF PREPARATION (con'td.)

Effective for financial periods beginning on or after 1 January 2016 (con'td.)

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Effective for financial periods beginning on or after 1 January 2017

MFRS 15: Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2018

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

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.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2014 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 period ended 31 March 2015.

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 period ended 31 March 2015.

6. DEBT AND EQUITY SECURITIES

On 30 March 2015, the Bank fully redeemed its RM500 million subordinated bonds ("the Bonds 1"). There was no new issuance of subordinated bonds during the period ended 31 March 2015.

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 2014.

8. DIVIDENDS

There was no dividend paid for the period ended 31 March 2015.

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EXPLANATORY NOTES

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 period ended 31 March 2015.

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
Cash and balances with banks and other financial institutions	482,352	626,082
Money at call and deposit placements maturing within one month	8,872,175	10,207,265
	<u>9,354,527</u>	<u>10,833,347</u>

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
Licensed banks	123,392	130,516
	<u>123,392</u>	<u>130,516</u>

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EXPLANATORY NOTES

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

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
Held-for-trading securities		
At fair value:		
Bank Negara Malaysia bills	1,048,780	1,268,687
Malaysian Government treasury bills	92,065	197,589
Malaysian Government securities	102,191	149,418
Bankers' acceptances and Islamic accepted bills	29,896	165,960
Total held-for-trading securities	<u>1,272,932</u>	<u>1,781,654</u>
Designated as FVTPL, companies incorporated in Malaysia but denominated in United States Dollar		
Private debt securities	642,175	610,484
Total financial assets at FVTPL	<u>1,915,107</u>	<u>2,392,138</u>

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EXPLANATORY NOTES

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

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
At fair value		
Money market instruments:		
Bank Negara Malaysia bills	1,795,937	2,710,141
Malaysian Government treasury bills	800,204	434,475
Malaysian Government securities	2,961,541	3,096,267
Negotiable instruments of deposits	1,175,244	1,775,213
Cagamas bonds	889,534	843,612
	<u>7,622,460</u>	<u>8,859,708</u>
Private debt securities of companies incorporated		
In Malaysia:		
Quoted corporate bonds	318,523	317,490
Impairment loss	(39,960)	(39,960)
	<u>278,563</u>	<u>277,530</u>
Quoted securities:		
Shares of corporations outside Malaysia	23,247	22,145
Shares of corporations in Malaysia	5,615	6,136
	<u>28,862</u>	<u>28,281</u>
Unquoted securities:		
Shares	85,048	85,048
	<u>85,048</u>	<u>85,048</u>
At Cost:		
Unquoted securities:		
Private debt securities	276	276
	<u>276</u>	<u>276</u>
Total AFS securities	<u>8,015,209</u>	<u>9,250,843</u>

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EXPLANATORY NOTES**15. LOANS AND ADVANCES**

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,886,339	2,876,874	2,886,339	2,876,874
Term loans and revolving credits				
Housing loans	24,751,115	24,420,580	24,751,115	24,420,580
Syndicated term loans	464,764	468,363	464,764	468,363
Other term loans	30,726,664	30,531,156	30,914,857	30,720,361
Credit cards receivable	2,194,864	2,177,562	2,194,864	2,177,562
Bills receivable	904,724	1,184,560	904,724	1,184,560
Trust receipts	1,694,882	1,663,712	1,694,882	1,663,712
Claims on customers under acceptance credits	4,814,535	4,736,750	4,814,535	4,736,750
Staff loans	50,975	52,130	50,975	52,130
Others	5,453	5,249	5,453	5,249
	68,494,315	68,116,936	68,682,508	68,306,141
Unearned interest	(76,604)	(77,643)	(76,604)	(77,643)
Gross loans and advances	68,417,711	68,039,293	68,605,904	68,228,498
Allowance for losses on loans and advances				
- Individual impairment	(225,862)	(203,200)	(225,862)	(203,200)
- Collective impairment	(920,722)	(909,718)	(920,722)	(909,718)
Net loans and advances	67,271,127	66,926,375	67,459,320	67,115,580

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)****(i) Gross loans and advances by maturity structure:**

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	16,895,109	17,121,464	16,895,109	17,121,464
One year to three years	2,938,098	2,943,247	3,126,291	3,132,452
Three years to five years	4,590,337	4,629,488	4,590,337	4,629,488
Over five years	43,994,167	43,345,094	43,994,167	43,345,094
	68,417,711	68,039,293	68,605,904	68,228,498

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

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions				
- Stockbroking companies	999	19	999	19
- Others	136,692	198,139	136,692	198,139
Domestic business enterprises				
- Small medium enterprises	14,828,904	14,677,009	14,828,904	14,677,009
- Others	13,659,742	13,892,974	13,847,935	14,082,179
Individuals	33,292,922	32,670,387	33,292,922	32,670,387
Foreign entities	6,498,452	6,600,765	6,498,452	6,600,765
	68,417,711	68,039,293	68,605,904	68,228,498

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EXPLANATORY NOTES

15. LOANS AND ADVANCES (con'td.)

(iii) Gross loans and advances by interest rate sensitivity:

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans	35,570	36,255	35,570	36,255
- Other fixed rate loans	3,318,261	3,388,421	3,318,261	3,388,421
Variable rate				
- Base lending rate-plus	62,222,345	61,161,465	62,222,345	61,161,465
- Cost-plus	2,841,535	3,453,152	3,029,728	3,642,357
	68,417,711	68,039,293	68,605,904	68,228,498

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)****(iv) Gross loans and advances by economic sector:**

	Group		Bank	
	31-Mar-15 RM'000	31-Dec-14 RM'000	31-Mar-15 RM'000	31-Dec-14 RM'000
Agriculture, hunting, forestry and fishing	1,038,925	990,014	1,038,925	990,014
Mining and quarrying	779,842	1,106,982	779,842	1,106,982
Manufacturing	5,706,218	5,803,480	5,706,218	5,803,480
Electricity, gas and water	35,334	27,273	35,334	27,273
Construction	6,457,980	6,273,493	6,457,980	6,273,493
Wholesale, retail trade, restaurants and hotels	8,446,846	8,413,457	8,446,846	8,413,457
Transport, storage and communication	1,070,559	1,015,091	1,070,559	1,015,091
Finance, insurance and business services	2,229,907	2,259,595	2,229,907	2,259,595
Real estate	4,177,406	4,381,508	4,365,599	4,570,713
Community, social and personal services	222,944	225,289	222,944	225,289
Households:	38,251,750	37,543,111	38,251,750	37,543,111
- purchase of residential properties	25,553,502	25,205,007	25,553,502	25,205,007
- purchase of non residential properties	7,821,577	7,487,772	7,821,577	7,487,772
- others	4,876,671	4,850,332	4,876,671	4,850,332
	68,417,711	68,039,293	68,605,904	68,228,498

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EXPLANATORY NOTES

15. LOANS AND ADVANCES (con'td.)

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

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January	1,069,069	1,073,975	1,069,069	1,073,975
Classified as impaired during the period/year	209,361	707,098	209,361	707,098
Amount recovered	(92,402)	(360,100)	(92,402)	(360,100)
Reclassified as non-impaired	(86,764)	(168,008)	(86,764)	(168,008)
Amount written off	(20,172)	(183,896)	(20,172)	(183,896)
Balance as at 31 March/31 December	1,079,092	1,069,069	1,079,092	1,069,069
Individual impairment	(225,862)	(203,200)	(225,862)	(203,200)
Net impaired loans and advances	853,230	865,869	853,230	865,869
Ratio of net impaired loans and advances to net loans and advances	1.3%	1.3%	1.2%	1.3%

(vi) Movements in allowance for losses on loans and advances are as follows:

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
<u>Collective Impairment</u>		
Balance as at 1 January	909,718	727,504
Allowance made during the period/year	11,004	182,214
Balance as at 31 March/31 December	920,722	909,718

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)**

- (vi) **Movements in allowance for losses on loans and advances are as follows (con'td.):**

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
<u>Individual Impairment</u>		
Balance as at 1 January	203,200	274,857
Allowance made during the period/year	79,152	217,620
Amount written back in respect of recoveries	(34,823)	(110,584)
Amount written off	(20,682)	(180,527)
Interest recognised on impaired loans	(985)	4,254
Transferred to debt restructuring	-	(2,420)
Balance as at 31 March/31 December	225,862	203,200

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

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
Mining and quarrying	431	-
Manufacturing	242,028	240,290
Construction	174,135	214,039
Wholesale, retail trade, restaurants and hotels	119,758	123,950
Transport, storage and communication	49,978	4,245
Finance, insurance and business services	14,620	15,447
Real estate	15,355	15,611
Community, social and personal services	926	960
Households:	461,861	454,527
- purchase of residential properties	347,647	341,406
- purchase of non residential properties	45,969	43,532
- others	68,245	69,589
	1,079,092	1,069,069

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EXPLANATORY NOTES

15. LOANS AND ADVANCES (con'td.)

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

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
In Malaysia	1,079,092	1,069,069

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) (con'td.)**

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 2015			
Foreign exchange contracts			
- forwards	8,398,315	476,878	66,107
- swaps	19,190,260	413,406	460,400
- options	1,709,002	21,256	8,984
Interest rate related contracts			
- swaps	20,744,344	107,336	184,105
Equity related contracts			
- swaps	1,090,970	22,724	22,182
- options	671,918	49	49
Commodity related contracts			
- swaps	823,003	76,427	88,661
- options	-		
- future	113,449	14,243	2,768
	<u>113,449</u>	<u>1,132,319</u>	<u>833,256</u>

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EXPLANATORY NOTES**16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (con'td.)**

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2014			
Foreign exchange contracts			
- forwards	7,606,031	384,794	88,363
- swaps	18,621,080	256,385	231,823
- options	2,185,324	18,177	7,817
Interest rate related contracts			
- swaps	20,842,832	102,400	148,029
Equity related contracts			
- swaps	1,001,139	20,700	20,185
- options	597,337	7,997	7,997
Commodity related contracts			
- swaps	665,815	96,893	99,635
- future	174,977	18,600	15,906
	<u> </u>	<u>905,946</u>	<u>619,755</u>

The table above analyses the principal amounts and the positive and negative fair values of the Group and 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-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	127,574	124,411	130,496	125,585
Accrued interest receivable	80,364	93,727	80,364	93,727
Precious metal accounts	313,721	418,328	313,721	418,328
	521,659	636,466	524,581	637,640

18. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Demand deposits	18,285,395	18,181,422	18,287,673	18,182,559
Savings deposits	1,304,628	1,239,583	1,304,628	1,239,583
Fixed deposits	45,366,179	44,735,404	45,367,307	44,736,525
Negotiable instruments of deposits	4,549	16,164	4,549	16,164
Others	8,441,819	8,884,147	8,441,819	8,884,147
	73,402,570	73,056,720	73,405,976	73,058,978

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

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Due within six months	30,097,157	31,434,374	30,098,285	31,435,495
Six months to one year	14,983,207	13,055,441	14,983,207	13,055,441
One year to three years	180,553	152,735	180,553	152,735
Three years to five years	109,811	109,018	109,811	109,018
	45,370,728	44,751,568	45,371,856	44,752,689

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EXPLANATORY NOTES

18. DEPOSITS FROM CUSTOMERS (con'td.)

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

	Group		Bank	
	31-Mar-15 RM'000	31-Dec-14 RM'000	31-Mar-15 RM'000	31-Dec-14 RM'000
Business enterprises				
- Subsidiaries	-	-	3,406	2,258
- Others	29,300,032	30,482,982	29,300,032	30,482,982
Individuals	38,247,202	37,077,155	38,247,202	37,077,155
Others	5,855,336	5,496,583	5,855,336	5,496,583
	73,402,570	73,056,720	73,405,976	73,058,978

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31-Mar-15 RM'000	31-Dec-14 RM'000	31-Mar-15 RM'000	31-Dec-14 RM'000
Licensed banks in Malaysia	458,683	171,010	458,683	171,010
Bank Negara Malaysia	1,698,844	1,729,771	1,698,844	1,729,771
Other financial institutions	4,578,433	6,924,488	4,578,463	6,924,518
	6,735,960	8,825,269	6,735,990	8,825,299

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EXPLANATORY NOTES**20. OTHER LIABILITIES**

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies	16,657	1,642	16,657	1,642
Accrued interest payable	427,104	435,832	426,164	434,882
Accruals and provisions for operational expenses	84,814	161,909	84,563	161,305
Amount due to subsidiaries	-	-	43	47
Other accruals and provisions	603,728	841,747	603,598	841,596
Deferred income	260,192	270,457	260,192	270,457
	1,392,495	1,711,587	1,391,217	1,709,929

21. SUBORDINATED BONDS

	Group and Bank	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
RM500 million Subordinated Bonds 2010/2020, at par (Note (a))	-	500,000
RM500 million Subordinated Bonds 2013/2023, at par (Note (b))	500,000	500,000
Unamortised expenses relating to issue of Subordinated Bonds	-	(116)
	500,000	999,884

On 29 March 2010, the Bank issued RM500 million 10 years Subordinated Bonds due in 2020 callable with step-up in 2015 ("the Bonds 1").

The Bonds 1 bear interest at the rate of 4.88% per annum from 29 March 2010 to 29 March 2015 and thereafter, at the rate of 5.88% per annum from 30 March 2015 to the date of early redemption in full of such Bonds 1 or maturity date of the Bonds (whichever is earlier).

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EXPLANATORY NOTES

21. SUBORDINATED BONDS (cont'd.)

- (a) The Bonds 1 may be redeemed at par at the option of the Bank, in whole but not in part, on 30 March 2015 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 29 March and 29 September each year commencing 29 September 2010.

The Bonds 1 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.

On 30 March 2015, the Bonds 1 have been fully redeemed.

- (b) On 30 August 2013, the Bank issued RM500 million Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) ("the Bonds 2").

The Bonds 2 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 2 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.

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

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

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 Ended		Three Months Ended	
	31-Mar-15 RM'000	31-Mar-14 RM'000	31-Mar-15 RM'000	31-Mar-14 RM'000
Interest income from loans and advances	856,620	759,203	856,620	759,203
Interest income from impaired loans and advances	28,554	17,923	28,554	17,923
Money at call and deposit placements with financial institutions	71,925	146,172	71,925	146,172
Financial assets at FVTPL	14,488	5,827	14,488	5,827
AFS securities	82,530	37,474	82,530	37,474
	1,054,117	966,599	1,054,117	966,599
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(131)	(99)	(131)	(99)
- AFS securities	(4,570)	(2,904)	(4,570)	(2,904)
	1,049,416	963,596	1,049,416	963,596
Bank				
Interest income from loans and advances	858,862	760,929	858,862	760,929
Interest income from impaired loans and advances	28,554	17,923	28,554	17,923
Money at call and deposit placements with financial institutions	71,925	146,172	71,925	146,172
Financial assets at FVTPL	14,488	5,827	14,488	5,827
AFS securities	82,530	37,474	82,530	37,474
	1,056,359	968,325	1,056,359	968,325
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(131)	(99)	(131)	(99)
- AFS securities	(4,570)	(2,904)	(4,570)	(2,904)
	1,051,658	965,322	1,051,658	965,322

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EXPLANATORY NOTES

24. INTEREST EXPENSE

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	539,135	482,193	539,135	482,193
Deposits and placements of banks and other financial institutions	15,120	43,108	15,120	43,108
Subordinated bonds	11,609	11,740	11,609	11,740
Others	3,266	21,130	3,266	21,130
	569,130	558,171	569,130	558,171
Bank				
Deposits from customers	539,135	482,193	539,135	482,193
Deposits and placements of banks and other financial institutions	15,153	43,127	15,153	43,127
Subordinated bonds	11,609	11,740	11,609	11,740
Others	3,266	21,130	3,266	21,130
	569,163	558,190	569,163	558,190

25. OTHER OPERATING INCOME

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	54,990	49,307	54,990	49,307
Guarantee fees	18,943	12,845	18,943	12,845
Service charges and fees	52,053	55,685	52,053	55,685
Commitment fees	7,247	7,570	7,247	7,570
Arrangement and participation fees	70	2,626	70	2,626
	133,303	128,033	133,303	128,033

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EXPLANATORY NOTES

25. OTHER OPERATING INCOME (con'td.)

Group (con'td.)	First Quarter Ended		Three Months Ended	
	31-Mar-15 RM'000	31-Mar-14 RM'000	31-Mar-15 RM'000	31-Mar-14 RM'000
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	4,126	192	4,126	192
Loss from trading derivatives	(553)	(5,205)	(553)	(5,205)
Unrealised loss from trading derivatives	(1,895)	(3,782)	(1,895)	(3,782)
(Loss)/gain from sale of precious metal	(965)	432	(965)	432
Unrealised gain from sale of precious metal	639	-	639	-
Gain from sale/recovery of AFS securities	2,319	530	2,319	530
Unrealised gain/(loss) on financial assets at FVTPL	563	(136)	563	(136)
Gross dividends from:				
- AFS securities unquoted in Malaysia	29	521	29	521
	4,263	(7,448)	4,263	(7,448)
<u>Other income</u>				
Foreign exchange gain	37,204	46,376	37,204	46,376
Rental income from operating leases, other than those from investment properties	124	42	124	42
Gain/(loss) on disposal of property, plant and equipment	95	(156)	95	(156)
Others	3,263	3,194	3,263	3,194
	40,686	49,456	40,686	49,456
	178,252	170,041	178,252	170,041

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EXPLANATORY NOTES**25. OTHER OPERATING INCOME (con'td.)**

Bank	First Quarter Ended		Three Months Ended	
	31-Mar-15 RM'000	31-Mar-14 RM'000	31-Mar-15 RM'000	31-Mar-14 RM'000
<u>Fee income</u>				
Commission	54,990	49,307	54,990	49,307
Guarantee fees	18,943	12,845	18,943	12,845
Service charges and fees	52,088	55,714	52,088	55,714
Commitment fees	7,250	7,573	7,250	7,573
Arrangement and participation fees	70	2,626	70	2,626
	133,341	128,065	133,341	128,065
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	4,126	192	4,126	192
Loss from trading derivatives	(553)	(5,205)	(553)	(5,205)
Unrealised loss from trading derivatives	(1,895)	(3,782)	(1,895)	(3,782)
(Loss)/gain from sale of precious metal	(965)	432	(965)	432
Unrealised gain from sale of precious metal	639	-	639	-
Gain from sale/recovery of AFS securities	2,319	530	2,319	530
Unrealised gain/(loss) on financial assets at FVTPL	563	(136)	563	(136)
Gross dividends from:				
- AFS securities unquoted in Malaysia	29	521	29	521
- subsidiaries	-	230	-	230
- an associate	-	211,141	-	211,141
	4,263	203,923	4,263	203,923

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25. OTHER OPERATING INCOME (con'td.)

	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000
Bank (con'td.)				
<u>Other income</u>				
Foreign exchange gain	37,204	46,376	37,204	46,376
Rental income from operating leases, other than those from investment properties	21	19	21	19
Gain/(loss) on disposal of property, plant and equipment	95	(156)	95	(156)
Others	3,263	3,194	3,263	3,194
	40,583	49,433	40,583	49,433
	178,187	381,421	178,187	381,421

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EXPLANATORY NOTES

26. OTHER OPERATING EXPENSES

Group	First Quarter Ended		Three Months Ended	
	31-Mar-15 RM'000	31-Mar-14 RM'000	31-Mar-15 RM'000	31-Mar-14 RM'000
Personnel expenses	163,057	145,764	163,057	145,764
Establishment related expenses	41,885	31,200	41,885	31,200
Promotion and marketing related expenses	11,635	10,674	11,635	10,674
General administrative expenses	24,266	28,078	24,266	28,078
	240,843	215,716	240,843	215,716
<u>Personnel expenses</u>				
Wages,salaries and bonus	129,265	116,274	129,265	116,274
Defined contribution plan	19,194	18,060	19,194	18,060
Other employee benefits	14,598	11,430	14,598	11,430
	163,057	145,764	163,057	145,764
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	11,254	8,464	11,254	8,464
Hire of equipment	13	11	13	11
Information technology costs	10,964	5,450	10,964	5,450
Repair and maintenance	4,436	3,536	4,436	3,536
Rental of premises	3,292	3,332	3,292	3,332
Others	11,926	10,407	11,926	10,407
	41,885	31,200	41,885	31,200
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	11,635	10,674	11,635	10,674
<u>General administrative expenses</u>				
Fees and commissions paid	8,960	11,411	8,960	11,411
Others	15,306	16,667	15,306	16,667
	24,266	28,078	24,266	28,078

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EXPLANATORY NOTES**26. OTHER OPERATING EXPENSES (con'td.)**

Bank	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	162,171	144,967	162,171	144,967
Establishment related expenses	45,102	33,829	45,102	33,829
Promotion and marketing related expenses	11,618	10,662	11,618	10,662
General administrative expenses	24,258	28,029	24,258	28,029
	243,149	217,487	243,149	217,487
<u>Personnel expenses</u>				
Wages, salaries and bonus	128,499	115,567	128,499	115,567
Defined contribution plan	19,084	17,958	19,084	17,958
Other employee benefits	14,588	11,442	14,588	11,442
	162,171	144,967	162,171	144,967
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	9,716	6,936	9,716	6,936
Hire of equipment	13	11	13	11
Information technology costs	10,964	5,450	10,964	5,450
Repair and maintenance	4,312	3,385	4,312	3,385
Rental of premises	7,690	7,363	7,690	7,363
Others	12,407	10,684	12,407	10,684
	45,102	33,829	45,102	33,829
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	11,618	10,662	11,618	10,662
<u>General administrative expenses</u>				
Fees and commissions paid	8,960	11,370	8,960	11,370
Others	15,298	16,659	15,298	16,659
	24,258	28,029	24,258	28,029

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

Group	First Quarter Ended		Three Months Ended	
	31-Mar-15 RM'000	31-Mar-14 RM'000	31-Mar-15 RM'000	31-Mar-14 RM'000
Allowance for impaired loans and advances				
(a) Individual impairment				
- made in the period	79,152	47,532	79,152	47,532
- written back in the period	(34,823)	(23,310)	(34,823)	(23,310)
(b) Collective impairment				
- made in the period	11,004	29,768	11,004	29,768
Impaired loans and advances				
- written off	1,059	1,706	1,059	1,706
- recovered	(9,849)	(12,974)	(9,849)	(12,974)
	46,543	42,722	46,543	42,722
Bank				
Allowance for impaired loans and advances				
(a) Individual impairment				
- made in the period	79,152	47,532	79,152	47,532
- written back in the period	(34,823)	(23,310)	(34,823)	(23,310)
(b) Collective impairment				
- made in the period	11,004	29,768	11,004	29,768
Impaired loans and advances				
- written off	1,059	1,706	1,059	1,706
- recovered	(9,849)	(12,974)	(9,849)	(12,974)
	46,543	42,722	46,543	42,722

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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 to 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 Consumer, Privilege, Business and Private Banking. Consumer Banking serves the individual customers, while Business Banking serves small enterprises with a wide range of products and services, including deposits, loans, investments, credit and debit cards and insurance products. Privilege Banking provides an extended range of financial services, including wealth management, and restricted products such as structured notes, funds of hedge funds, and insurance plans 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.

Wholesale Banking (WB)

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group ("FIG") and Debt Capital Markets. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies, and FIG serves financial institutions. Commercial Banking, Corporate Banking 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. Debt Capital Markets specialises in solution-based structures to meet clients' financing requirements in structuring, underwriting and arranging syndicated loans for general corporate needs, leveraged buy-outs, project and structured finance, and underwriting and lead managing bond issues.

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28. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Global Markets

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

Others

The other segments includes property-related activities and income and expenses not attributable to other operating segments. It also includes equity, which being the source of fund for the Bank, will receive the corresponding funds credit or income to reflect its economic contribution.

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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 2015							
Operating income	299,079	231,915	51,994	81,795	664,783	(6,245)	658,538
Other operating expenses	(165,190)	(44,924)	(10,994)	(25,335)	(246,443)	5,600	(240,843)
Allowance for impairment on loans and advances	(29,565)	(16,994)	-	16	(46,543)	-	(46,543)
Impairment loss on AFS securities	-	-	-	-	-	-	-
Provision for commitments and contingencies	-	(15,016)	-	-	(15,016)	-	(15,016)
Share of net profit of an associate	-	-	-	581	581	-	581
Profit before taxation	104,324	154,981	41,000	57,057	357,362	(645)	356,717
Income tax expense							(83,011)
							<u>273,706</u>

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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 2015							
Other information							
Inter-segment operating income	(24,126)	69,578	(128,364)	89,157	6,245	(6,245)	-
Depreciation of property, plant and equipment	1,745	247	438	8,841	11,271	(17)	11,254

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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 2014							
Operating income	283,591	193,265	35,858	279,653	792,367	(216,901)	575,466
Other operating expenses	(143,044)	(40,611)	(9,443)	(27,703)	(220,801)	5,085	(215,716)
Allowance for impairment on loans and advances	(10,846)	(31,876)	-	-	(42,722)	-	(42,722)
Impairment loss on AFS securities	-	-	(9,725)	-	(9,725)	-	(9,725)
Provision for commitments and contingencies	(95)	(3,578)	-	-	(3,673)	-	(3,673)
Share of net profit of an associate	-	-	-	67,163	67,163	-	67,163
Profit before taxation	<u>129,606</u>	<u>117,200</u>	<u>16,690</u>	<u>319,113</u>	<u>582,609</u>	<u>(211,816)</u>	<u>370,793</u>
Income tax expense							<u>(74,366)</u>
							<u>296,427</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
For period ended 31 March 2014							
Other information							
Inter-segment operating income	(11,350)	2,203	(78,694)	304,742	216,901	(216,901)	-
Depreciation of property, plant and equipment	1,364	152	328	6,637	8,481	(17)	8,464

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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
As at 31 March 2015							
Segment assets							
Gross loans	44,602,496	23,624,776	-	378,632	68,605,904	(188,193)	68,417,711
Unallocated assets							<u>22,559,741</u>
Total assets							<u>90,977,452</u>
Segment liabilities							
Deposits from customers	45,567,332	27,046,836	693,077	98,731	73,405,976	(3,406)	73,402,570
Unallocated liabilities							<u>10,162,896</u>
Total liabilities							<u>83,565,466</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
As at 31 December 2014							
Segment assets							
Gross loans	43,914,268	23,936,360	-	377,870	68,228,498	(189,205)	68,039,293
Unallocated assets							26,039,951
Total assets							<u>94,079,244</u>
Segment liabilities							
Deposits from customers	44,261,591	27,983,199	719,256	94,932	73,058,978	(2,258)	73,056,720
Unallocated liabilities							13,898,591
Total liabilities							<u>86,955,311</u>

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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) issued on 28 November 2012, which is effective from 1 January 2013 and Basel II – Risk-weighted Assets framework.

	Group		Bank	
	31-Mar-15 RM'000	31-Dec-14 RM'000	31-Mar-15 RM'000	31-Dec-14 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 - audited	5,691,949	5,691,949	5,753,972	5,753,972
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	191,926	184,481	72,577	58,230
Regulatory adjustments applied in the calculation of CET1 Capital	(218,672)	(201,767)	(99,501)	(76,539)
Total CET1/Tier 1 Capital	6,927,758	6,937,218	6,989,603	6,998,218
<u>Tier 2 Capital</u>				
Tier 2 capital instruments	500,000	900,000	500,000	900,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	223,590	222,867	223,590	222,867
- Collective impairment provisions	35,369	58,999	29,706	53,678
Regulatory adjustments applied in the calculation of Tier 2 Capital	(6,348)	(24,091)	(60,014)	(80,019)
Total Tier 2 Capital	752,611	1,157,775	693,282	1,096,526
Total capital	7,680,369	8,094,993	7,682,885	8,094,744

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EXPLANATORY NOTES**29. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (con'td.)**

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

	Group		Bank	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
CET1/Tier 1 Capital	15.777%	15.461%	16.008%	15.684%
Total Capital	17.491%	18.042%	17.595%	18.141%
CET1/ Tier 1 Capital*	14.745%	14.452%	14.970%	14.668%
Total Capital*	16.459%	17.032%	16.558%	17.126%

* 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-15 RM'000	31-Dec-14 RM'000	31-Mar-15 RM'000	31-Dec-14 RM'000
Total RWA for credit risk	38,753,656	39,720,571	38,507,380	39,473,651
Total RWA for market risk	714,759	803,362	714,759	803,362
Total RWA for operational risk	4,441,838	4,344,262	4,441,838	4,344,262
	43,910,253	44,868,195	43,663,977	44,621,275

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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 incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 March 2015			
Direct credit substitutes	2,333,681	2,333,681	1,604,455
Transaction-related contingent items	4,440,690	2,198,336	1,465,625
Short-term self-liquidating trade-related contingencies	416,723	95,443	49,739
Foreign exchange related contracts			
- less than one year	28,515,119	1,330,340	453,829
- more than one year to less than five years	418,004	48,195	43,906
Interest rate related contracts			
- less than one year	5,036,233	17,820	11,000
- more than one year to less than five years	14,640,665	478,427	263,115
- five years and above	194,790	15,046	11,307
Equity related contracts			
- less than one year	780,012	56,487	23,684
- more than one year to less than five years	437,391	24,037	12,964
Commodity related contracts			
- less than one year	823,003	158,728	73,025
Undrawn credit facility			
- less than one year	9,788,235	701,200	164,781
- more than one year	1,972,602	177,045	139,958
- unconditionally cancellable	7,626,436	2,208,400	250,529
Total	77,423,584	9,843,185	4,567,917

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30. COMMITMENTS AND CONTINGENCIES (con'td.)

As at 31 December 2014	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,284,617	2,284,617	1,596,309
Transaction-related contingent items	4,308,410	2,131,960	1,432,231
Short-term self-liquidating trade-related contingencies	303,122	72,428	35,560
Foreign exchange related contracts			
- less than one year	27,635,265	765,392	262,353
- more than one year to less than five years	590,647	82,900	80,721
Interest rate related contracts			
- less than one year	5,264,883	17,116	9,336
- more than one year to less than five years	14,578,461	466,895	258,472
- five years and above	163,980	13,283	10,154
Equity related contracts			
- less than one year	657,720	47,313	19,670
- more than one year to less than five years	440,187	26,634	14,775
Commodity related contracts			
- less than one year	665,815	163,475	127,569
Undrawn credit facility			
- less than one year	10,082,012	753,635	160,193
- more than one year	1,792,002	209,253	170,685
- unconditionally cancellable	7,527,246	2,183,862	253,069
Total	76,294,367	9,218,763	4,431,097

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

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

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EXPLANATORY NOTES

31. PERFORMANCE REVIEW

For the first quarter ended 31 March 2015, the Group's operating profit before impairments improved by 16.1% or RM57.9 million to RM417.7 million as compared to the corresponding period last year. The improved operating performance was however offset by the non-repeat of a one-off gain on disposal of an associate's subsidiary in the comparative quarter, coupled with high impairments in this quarter. This led to a 3.8% or RM14.1 million decline in pre-tax profit to RM356.7 million. Excluding the one-off gain, the underlying pre-tax profit increased by 11.9%.

Net interest income increased by 18.5% or RM74.9 million to RM480.3 million led by loans growth, improved margins and higher interest income from available-for-sales securities.

Other operating income grew by 4.8% or RM8.2 million to RM178.3 million contributed mainly by higher trading and investment income and higher fee income, partly offset by lower gains in foreign exchange.

Total operating expenses rose 11.6% or RM25.1 million to RM240.8 million mainly due to increase in staff expenses and establishment related expenses as we continued to make investments in our people and IT infrastructure. Expense-to-income ratio improved from 37.5% to 36.6% due to higher income growth.

Allowance for impairment on loans and advances increased by 8.9% or RM3.8 million to RM46.5 million mainly contributed by higher individual impairment of RM22.6 million, partly offset by lower collective impairment of RM18.8 million. Higher provision in commitments and contingents is partly offset by non-repeat of impairment on available-for-sales securities. Asset quality remained sound with net non-performing loans ratio stable at 1.3%.

As at 31 March 2015, both gross loans and customer deposits grew marginally by 0.6% to RM68.4 billion and 0.5% to RM73.4 billion respectively.

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EXPLANATORY NOTES

32. PROSPECTS FOR 2015

The global economic outlook is expected to be challenging in 2015. It is expected to grow at a moderate pace, led by improvements in the advanced economies and sustained growth in most emerging economies. The growth in the euro area and Japan are expected to remain subdued this year, while China is expected to continue to grow at moderate pace as the economic rebalancing continues. Nevertheless, there remain downside risks to the global growth outlook.

Despite the challenging external environment, the Malaysian economy is expected to remain on a steady growth path of 4.5% to 5.5% this year supported by a continued expansion in domestic demand and growth in the export sector. The domestic demand is expected to be driven by private sector spending, favourable employment condition and income growth. Inflation is projected to moderate, averaging between 2% to 3%, largely on the lower energy and commodity prices, partly offset by the impact of GST implementation on 1 April 2015.

Against the economic backdrop, the Group will continue to stay focused on the core fundamentals of banking, ensuring balance sheet strength and building capabilities this year.

The Group is expected to achieve a satisfactory set of result in 2015.