

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 JUNE 2013

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF FINANCIAL POSITION****AS AT 30 JUNE 2013**

| | Notes | Group | | Bank | |
|--|-------|---------------------|---------------------|---------------------|---------------------|
| | | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| ASSETS | | | | | |
| Cash and Short-Term funds | 11 | 16,718,887 | 7,247,301 | 16,718,887 | 7,247,301 |
| Securities purchased under Resale Agreements | | 48,081 | - | 48,081 | - |
| Deposits and Placements with Financial Institutions | 12 | 302,830 | 60,990 | 302,830 | 60,990 |
| Financial assets at fair value through profit or loss | 13 | 3,593,115 | 3,239,208 | 3,593,115 | 3,239,208 |
| Available-for-Sale Securities | 14 | 3,704,388 | 11,580,541 | 3,704,388 | 11,580,541 |
| Loans and Advances | 15 | 57,905,897 | 54,997,275 | 58,096,781 | 55,193,389 |
| Derivatives Financial Assets | 16 | 307,283 | 154,077 | 307,283 | 154,077 |
| Other Assets | 17 | 689,590 | 545,955 | 695,824 | 550,278 |
| Statutory Deposits with Bank Negara Malaysia | | 1,837,100 | 1,758,800 | 1,837,100 | 1,758,800 |
| Investment in Subsidiaries | | - | - | 50 | 50 |
| Investment in Associates | | 272,239 | 244,366 | 122,733 | 122,733 |
| Property, Plant and Equipment | | 383,412 | 375,283 | 153,890 | 144,017 |
| Deferred Tax Assets | | 235,096 | 232,474 | 242,548 | 239,925 |
| Total assets | | 85,997,918 | 80,436,270 | 85,823,510 | 80,291,309 |
| LIABILITIES AND EQUITY | | | | | |
| Deposits from Customers | 18 | 65,698,158 | 65,587,850 | 65,717,526 | 65,607,074 |
| Deposits and Placements of Banks and Other Financial Institutions | 19 | 8,741,451 | 4,354,662 | 8,741,878 | 4,355,088 |
| Bills and Acceptances Payable | | 3,336,585 | 2,706,726 | 3,336,585 | 2,706,726 |
| Derivatives Financial Liabilities | 16 | 322,044 | 183,980 | 322,044 | 183,980 |
| Other Liabilities | 20 | 1,551,384 | 1,461,475 | 1,550,173 | 1,460,204 |
| Tax payable | | 89,769 | 73,469 | 89,777 | 73,460 |
| Subordinated Bonds | 21 | 499,406 | 499,258 | 499,406 | 499,258 |
| Total liabilities | | 80,238,797 | 74,867,420 | 80,257,389 | 74,885,790 |
| Share Capital | | 470,000 | 470,000 | 470,000 | 470,000 |
| Reserves | | 5,289,121 | 5,098,850 | 5,096,121 | 4,935,519 |
| Shareholders' equity | | 5,759,121 | 5,568,850 | 5,566,121 | 5,405,519 |
| TOTAL LIABILITIES AND EQUITY | | 85,997,918 | 80,436,270 | 85,823,510 | 80,291,309 |
| COMMITMENTS AND CONTINGENCIES | 29 | 53,275,766 | 42,933,869 | 53,275,766 | 42,933,869 |

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

| Group | Notes | Second Quarter Ended | | Six months Ended | |
|---|-------|-------------------------|---------------------|---------------------|---------------------|
| | | 30-Jun-13 RM'000 | 30-Jun-12 RM'000 | 30-Jun-13 RM'000 | 30-Jun-12 RM'000 |
| Operating Revenue | 22 | 1,059,807 | 980,695 | 2,066,808 | 1,891,868 |
| Interest Income | 23 | 878,403 | 806,786 | 1,746,559 | 1,567,056 |
| Interest Expense | 24 | (491,945) | (442,656) | (989,082) | (855,267) |
| Net Interest Income | | 386,458 | 364,130 | 757,477 | 711,789 |
| Other Operating Income | 25 | 191,801 | 178,093 | 352,349 | 333,626 |
| Operating Income | | 578,259 | 542,223 | 1,109,826 | 1,045,415 |
| Other Operating Expenses | 26 | (198,524) | (175,438) | (382,658) | (340,104) |
| Operating Profit before allowance for Impairment on Loans and Advances, Impairment loss on AFS securities and provision for Commitments and Contingencies | | 379,735 | 366,785 | 727,168 | 705,311 |
| Allowance for impairment on Loans and Advances | 27 | (66,560) | (60,785) | (66,960) | (110,220) |
| Impairment loss on AFS securities | | (6,051) | - | (21,128) | - |
| Net (provision) / write back for Commitments and Contingencies | | (2,123) | (594) | (4,700) | 4,466 |
| | | 305,001 | 305,406 | 634,380 | 599,557 |
| Share of net profit of associates | | 28,598 | 18,788 | 38,938 | 23,945 |
| Profit before Taxation | | 333,599 | 324,194 | 673,318 | 623,502 |
| Income Tax expense | | (74,067) | (71,808) | (154,403) | (145,700) |
| Profit after Taxation | | 259,532 | 252,386 | 518,915 | 477,802 |
| Basic earnings per share (sen) | | 55.2 | 53.7 | 110.4 | 101.7 |

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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

| Group | Second Quarter | | Six months | |
|--|-----------------------|--------------|-------------------|--------------|
| | Ended | Ended | Ended | Ended |
| | 30-Jun-13 | 30-Jun-12 | 30-Jun-13 | 30-Jun-12 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period | 259,532 | 252,386 | 518,915 | 477,802 |
| Other Comprehensive Income: | | | | |
| Net (loss) / gain on Revaluation of Available-for-Sale Securities | (12,038) | 10,467 | (10,492) | 7,221 |
| Income tax relating to components of other comprehensive income | 3,010 | (1,805) | 2,623 | (1,805) |
| Total Comprehensive Income for the period | 250,504 | 261,048 | 511,046 | 483,218 |

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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

| Bank | Notes | Second Quarter Ended | | Six months Ended | |
|---|-------|-------------------------|---------------------|---------------------|---------------------|
| | | 30-Jun-13 RM'000 | 30-Jun-12 RM'000 | 30-Jun-13 RM'000 | 30-Jun-12 RM'000 |
| Operating Revenue | 22 | 1,076,314 | 982,367 | 2,085,090 | 1,896,775 |
| Interest Income | 23 | 880,161 | 808,549 | 1,750,084 | 1,570,528 |
| Interest Expense | 24 | (492,003) | (442,662) | (989,146) | (855,280) |
| Net Interest Income | | 388,158 | 365,887 | 760,938 | 715,248 |
| Other Operating Income | 25 | 206,551 | 178,001 | 367,107 | 335,020 |
| Operating Income | | 594,709 | 543,888 | 1,128,045 | 1,050,268 |
| Other Operating Expenses | 26 | (201,572) | (178,211) | (387,936) | (344,855) |
| Operating Profit before allowance for Impairment on Loans and Advances, Impairment loss on AFS securities and provision for Commitments and Contingencies | | 393,137 | 365,677 | 740,109 | 705,413 |
| Allowance for impairment on Loans and Advances | 27 | (66,560) | (60,785) | (66,960) | (110,220) |
| Impairment loss on AFS securities | | (6,051) | - | (21,128) | - |
| Net (provision) / write back for Commitments and Contingencies | | (2,123) | (594) | (4,700) | 4,466 |
| Profit before Taxation | | 318,403 | 304,298 | 647,321 | 599,659 |
| Income Tax expense | | (77,741) | (71,799) | (158,075) | (146,094) |
| Profit after Taxation | | 240,662 | 232,499 | 489,246 | 453,565 |
| Basic earnings per share (sen) | | 51.2 | 49.5 | 104.1 | 96.5 |

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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

| | Second Quarter | | Six months | |
|---|-----------------|-----------|-----------------|-----------|
| | 30-Jun-13 | 30-Jun-12 | 30-Jun-13 | 30-Jun-12 |
| Bank | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period | 240,662 | 232,499 | 489,246 | 453,565 |
| Other Comprehensive Income: | | | | |
| Net (loss) / gain on Revaluation of Available-for-Sale Securities | (12,038) | 10,467 | (10,492) | 7,221 |
| Income tax relating to components of other comprehensive income | 3,010 | (1,805) | 2,623 | (1,805) |
| Total Comprehensive Income for the period | 231,634 | 241,161 | 481,377 | 458,981 |

UNITED OVERSEAS BANK (MALAYSIA) BHD

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INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

| GROUP | ← Non-distributable → | | | | Distributable | | Total |
|--|-----------------------|------------------|-----------------------|-------------------------|---|---------------------|-----------|
| | Share Capital | Share Premium | Statutory reserves | Revaluation reserves | Net unrealised reserves on AFS securities | Retained profits | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2013 | | | | | | | |
| Balance as at 1 January 2013 | 470,000 | 322,555 | 470,000 | 107,494 | 7,292 | 4,191,509 | 5,568,850 |
| Profit for the period | - | - | - | - | - | 518,915 | 518,915 |
| Other comprehensive income | - | - | - | - | (7,869) | - | (7,869) |
| Total comprehensive income for the period | - | - | - | - | (7,869) | 518,915 | 511,046 |
| Transactions with owners: | | | | | | | |
| Dividends paid: | | | | | | | |
| - final dividend for the year ended 31 December 2012 | - | - | - | - | - | (320,775) | (320,775) |
| Balance as at 30 June 2013 | 470,000 | 322,555 | 470,000 | 107,494 | (577) | 4,389,649 | 5,759,121 |

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 (con'td.)**

| GROUP (con'td.) | ← Non-distributable → | | | | Distributable | | Total RM'000 |
|--|----------------------------|----------------------------|---------------------------------|-----------------------------------|---|-------------------------------|-----------------|
| | Share Capital RM'000 | Share Premium RM'000 | Statutory reserves RM'000 | Revaluation reserves RM'000 | Net unrealised reserves on AFS securities RM'000 | Retained profits RM'000 | |
| 2012 | | | | | | | |
| Balance as at 1 January 2012 | | | | | | | |
| As reported under FRS | 470,000 | 322,555 | 470,000 | 73,006 | 308 | 3,326,263 | 4,662,132 |
| Effects of transition to MFRS | - | - | - | - | - | 202,588 | 202,588 |
| As reported under MFRS | 470,000 | 322,555 | 470,000 | 73,006 | 308 | 3,528,851 | 4,864,720 |
| Profit for the period | - | - | - | - | - | 477,802 | 477,802 |
| Other comprehensive income | - | - | - | - | 5,416 | - | 5,416 |
| Total comprehensive income for the period | - | - | - | - | 5,416 | 477,802 | 483,218 |
| Transactions with owners: | | | | | | | |
| Dividends paid: | | | | | | | |
| - final dividend for the year ended 31 December 2011 | - | - | - | - | - | (264,375) | (264,375) |
| Balance as at 30 June 2012 | 470,000 | 322,555 | 470,000 | 73,006 | 5,724 | 3,742,278 | 5,083,563 |

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

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INTERIM FINANCIAL STATEMENTS

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

| | ← Non-distributable → | | | | Distributable | | |
|--|-----------------------|------------------|-----------------------|-------------------------|---|---------------------|-----------|
| | Share Capital | Share Premium | Statutory reserves | Revaluation reserves | Net unrealised reserves on AFS securities | Retained profits | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>BANK</u> | | | | | | | |
| <u>2013</u> | | | | | | | |
| Balance as at 1 January 2013 | 470,000 | 322,555 | 470,000 | - | 7,292 | 4,135,672 | 5,405,519 |
| Profit for the period | - | - | - | - | - | 489,246 | 489,246 |
| Other comprehensive income | - | - | - | - | (7,869) | - | (7,869) |
| Total comprehensive income for the period | - | - | - | - | (7,869) | 489,246 | 481,377 |
| Transactions with owners: | | | | | | | |
| Dividends paid: | | | | | | | |
| - final dividend for the year ended 31 December 2012 | - | - | - | - | - | (320,775) | (320,775) |
| Balance as at 30 June 2013 | 470,000 | 322,555 | 470,000 | - | (577) | 4,304,143 | 5,566,121 |

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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 (con'td.)

| | ← Non-distributable → | | | | Distributable | | Total RM'000 |
|--|----------------------------|----------------------------|---------------------------------|-----------------------------------|---|-------------------------------|-----------------|
| | Share Capital RM'000 | Share Premium RM'000 | Statutory reserves RM'000 | Revaluation reserves RM'000 | Net unrealised reserves on AFS securities RM'000 | Retained profits RM'000 | |
| <u>BANK (con'td.)</u> | | | | | | | |
| <u>2012</u> | | | | | | | |
| Balance as at 1 January 2012 | | | | | | | |
| As reported under FRS | 470,000 | 322,555 | 470,000 | - | 308 | 3,311,519 | 4,574,382 |
| Effects of transition to MFRS | - | - | - | - | - | 202,588 | 202,588 |
| As reported under MFRS | 470,000 | 322,555 | 470,000 | - | 308 | 3,514,107 | 4,776,970 |
| Profit for the period | - | - | - | - | - | 453,565 | 453,565 |
| Other comprehensive income | - | - | - | - | 5,416 | - | 5,416 |
| Total comprehensive income for the period | - | - | - | - | 5,416 | 453,565 | 458,981 |
| Transactions with owners: | | | | | | | |
| Dividends paid: | | | | | | | |
| - final dividend for the year ended 31 December 2011 | - | - | - | - | - | (264,375) | (264,375) |
| Total transactions with owners | | | | | | | |
| Balance as at 30 June 2012 | 470,000 | 322,555 | 470,000 | - | 5,724 | 3,703,297 | 4,971,576 |

UNITED OVERSEAS BANK (MALAYSIA) BHD

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INTERIM FINANCIAL STATEMENTS**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS****FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

| | Group | | Bank | |
|---|--------------------|-------------|--------------------|-------------|
| | 30-Jun-13 | 30-Jun-12 | 30-Jun-13 | 30-Jun-12 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before taxation | 673,318 | 623,502 | 647,321 | 599,659 |
| Adjustments for non-operating and non-cash items | (62,905) | (63,582) | (41,897) | (43,909) |
| Operating profit before working capital changes | 610,413 | 559,920 | 605,424 | 555,750 |
| Changes in working capital: | | | | |
| Net changes in operating assets | (3,745,425) | (6,657,305) | (3,742,106) | (6,669,243) |
| Net changes in operating liabilities | 5,334,152 | 8,156,822 | 5,334,357 | 8,160,440 |
| Tax expense paid | (141,791) | (180,213) | (141,758) | (180,179) |
| Net cash generated from operating activities | 2,057,349 | 1,879,224 | 2,055,917 | 1,866,768 |
| Net cash generated from / (used in) investing activities | 7,976,704 | (6,540,481) | 7,978,136 | (6,528,025) |
| Net cash used in financing activities | (320,627) | (264,201) | (320,627) | (264,201) |
| Net changes in cash and cash equivalents | 9,713,426 | (4,925,458) | 9,713,426 | (4,925,458) |
| Cash and cash equivalents at beginning of the period | 7,308,291 | 13,874,911 | 7,308,291 | 13,874,911 |
| Cash and cash equivalents at end of the period | 17,021,717 | 8,949,453 | 17,021,717 | 8,949,453 |

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2013

1. BASIS OF PREPARATION

The unaudited interim financial statements for the financial period ended 30 June 2013 have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB").

The accounting policies adopted by the Group and the Bank are consistent with those of the audited financial statements for the financial year ended 31 December 2012, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs and IC Interpretation that have been issued by the Malaysian Accounting Standards Board ("MASB"):-

| | |
|-----------------------------|--|
| i) MFRS 10 | Consolidated Financial Statements |
| ii) MFRS 11 | Joint Arrangements |
| iii) MFRS 12 | Disclosure of Interests in Other Entities |
| iv) MFRS 13 | Fair Value Measurement |
| v) MFRS 119 | Employee Benefits |
| vi) MFRS 127 | Separate Financial Statements (2011) |
| vii) MFRS 128 | Investments in Associates and Joint Ventures (2011) |
| viii) IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine |
| ix) Amendments to MFRS7 | Financial Instruments: Disclosures- Offsetting Financial Assets and Financial Liabilities |
| x) Amendments to MFRS1 | First-time Adoption of Malaysian Financial Reporting Standards - Government Loans |
| xi) Amendments to MFRS1 | First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle) |
| xii) Amendments to MFRS101 | Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle) |
| xiii) Amendments to MFRS116 | Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle) |
| xiv) Amendments to MFRS132 | Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle) |
| xv) Amendments to MFRS134 | Interim Financial Reporting (Annual Improvements 2009-2011 Cycle) |
| xvi) Amendments to MFRS10 | Consolidated Financial Statements: Transition Guidance |
| xvii) Amendments to MFRS11 | Joint Arrangements: Transition Guidance |
| xviii) Amendments to MFRS12 | Disclosure of Interests in Other Entities: Transition Guidance |

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretation do not have any material impacts on the financial statements of the Group and the Bank.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2013

1. BASIS OF PREPARATION (con'td.)

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

Effective for annual periods commencing on or after 1 January 2014

- | | | |
|------|-----------------------|--|
| i) | Amendments to MFRS10 | Consolidated Financial Statements: Investment Entities |
| ii) | Amendments to MFRS12 | Disclosures of Interests in Other Entities: Investment Entities |
| iii) | Amendments to MFRS127 | Separate Financial Statements (2011): Investment Entities |
| iv) | Amendments to MFRS132 | Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities |

Effective for annual periods commencing on or after 1 January 2015

- | | | |
|------|---------------------|---|
| i) | MFRS9 | Financial Instruments (2009) |
| ii) | MFRS9 | Financial Instruments (2010) |
| iii) | Amendments to MFRS7 | Financial Instruments: Disclosures - Mandatory Effective Date of MFRS9 and Transition Disclosures |

Except for MFRS9, the initial application of all the above applicable MFRSs and amendments is not expected to have any material impact on the financial statements upon their first adoption.

MFRS9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS9 will result in a change in accounting policy. The Group and the Bank is currently assessing the financial impact of adopting MFRS9.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2012.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2013

2. AUDITORS' REPORT

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank for the financial period ended 30 June 2013.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial periods that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 June 2013.

6. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the financial period ended 30 June 2013.

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and directors' valuation. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial period ended 30 June 2013.

8. DIVIDENDS PAID

A final single tier dividend of 68.3% in respect of the financial year ended 31 December 2012, amounting to RM320,775,000 was paid on 24 April 2013.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

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

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period ended 30 June 2013.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****11. CASH AND SHORT-TERM FUNDS**

| | Group and Bank | |
|--|-----------------------|------------------|
| | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 485,887 | 512,503 |
| Money at call and deposit placements maturing within one month | 16,233,000 | 6,734,798 |
| | 16,718,887 | 7,247,301 |

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

| | Group and Bank | |
|------------------------------|-----------------------|------------------|
| | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 |
| Licensed banks | 2,830 | 990 |
| Bank Negara Malaysia | 300,000 | - |
| Other financial institutions | - | 60,000 |
| | 302,830 | 60,990 |

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group and Bank | |
|--|-----------------------|------------------|
| | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 |
| Held-for-trading securities | | |
| At fair value: | | |
| Bank Negara Malaysia bills | 2,141,462 | 2,277,004 |
| Malaysian Government treasury bills | 60,618 | 56,369 |
| Malaysian Government securities | 558,878 | 462,026 |
| Bankers' acceptances and Islamic accepted bills | 174,745 | 76,188 |
| Total held-for-trading securities | 2,935,703 | 2,871,587 |
| Designated as fair value through profit or loss | | |
| In Malaysia but denominated in United States Dollar | | |
| Private debt securities | 657,412 | 367,621 |
| Total financial assets at fair value through profit or loss | 3,593,115 | 3,239,208 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****14. AVAILABLE-FOR-SALE SECURITIES**

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 |
| At fair value | | |
| Money market instruments: | | |
| Bank Negara Malaysia bills | 239,845 | 8,184,944 |
| Malaysian Government treasury bills | 49,633 | 118,806 |
| Malaysian Government securities | 2,433,085 | 2,452,165 |
| Cagamas bonds | 621,375 | 457,474 |
| | 3,343,938 | 11,213,389 |
| Private Debt Securities of Companies Incorporated | | |
| In Malaysia: | | |
| Corporate bonds | 360,410 | 349,756 |
| Impairment loss on AFS securities | (30,119) | (8,991) |
| | 330,291 | 340,765 |
| Quoted securities: | | |
| Shares of corporations outside Malaysia | 13,949 | 10,895 |
| Shares of corporations in Malaysia | 3,662 | 2,944 |
| | 17,611 | 13,839 |
| At cost | | |
| Unquoted securities: | | |
| Shares | 12,272 | 12,272 |
| Private debt securities | 276 | 276 |
| | 12,548 | 12,548 |
| Total available-for-sale securities | 3,704,388 | 11,580,541 |

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****15. LOANS AND ADVANCES**

| | Group | | Bank | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Overdrafts | 2,815,289 | 2,857,897 | 2,815,289 | 2,858,059 |
| Term loans and revolving credits | | | | |
| Housing loans | 21,806,360 | 20,351,883 | 21,806,360 | 20,351,883 |
| Syndicated term loans | 452,790 | 495,269 | 452,790 | 495,269 |
| Factoring | 8,777 | - | 8,777 | - |
| Other term loans | 25,489,343 | 23,828,990 | 25,680,227 | 24,024,942 |
| Credit cards receivable | 1,951,952 | 1,869,576 | 1,951,952 | 1,869,576 |
| Bills receivable | 135,166 | 132,067 | 135,166 | 132,067 |
| Trust receipts | 1,195,629 | 1,205,287 | 1,195,629 | 1,205,287 |
| Claims on customers under acceptance credits | 4,921,462 | 5,108,232 | 4,921,462 | 5,108,232 |
| Staff loans - Others | 57,994 | 61,985 | 57,994 | 61,985 |
| Others | 4,997 | 3,421 | 4,997 | 3,421 |
| | 58,839,759 | 55,914,607 | 59,030,643 | 56,110,721 |
| Unearned interest | (39,556) | (45,890) | (39,556) | (45,890) |
| Gross loans and advances | 58,800,203 | 55,868,717 | 58,991,087 | 56,064,831 |
| Allowance for losses on loans and advances | | | | |
| - Individual impairment | (279,786) | (317,731) | (279,786) | (317,731) |
| - Collective impairment | (614,520) | (553,711) | (614,520) | (553,711) |
| Net loans and advances | 57,905,897 | 54,997,275 | 58,096,781 | 55,193,389 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****15. LOANS AND ADVANCES (con'td.)****(i) By maturity structure:**

| | Group | | Bank | |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Maturing within one year | 14,866,014 | 15,079,884 | 14,866,014 | 15,080,046 |
| One year to three years | 2,102,449 | 1,721,352 | 2,293,333 | 1,917,304 |
| Three years to five years | 3,390,035 | 3,251,262 | 3,390,035 | 3,251,262 |
| Over five years | 38,441,705 | 35,816,219 | 38,441,705 | 35,816,219 |
| | 58,800,203 | 55,868,717 | 58,991,087 | 56,064,831 |

(ii) By type of customer:

| | Group | | Bank | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Domestic non-bank financial institutions | | | | |
| - Stockbroking companies | 9,013 | 34 | 9,013 | 34 |
| - Others | 191,032 | 119,017 | 191,032 | 119,017 |
| Domestic business enterprises | | | | |
| - Small medium enterprises | 12,947,078 | 12,506,684 | 12,947,078 | 12,506,684 |
| - Others | 12,414,779 | 12,304,248 | 12,605,663 | 12,500,362 |
| Individuals | 28,590,885 | 26,584,384 | 28,590,885 | 26,584,384 |
| Other domestic entities | 54 | 72 | 54 | 72 |
| Foreign entities | 4,647,362 | 4,354,278 | 4,647,362 | 4,354,278 |
| | 58,800,203 | 55,868,717 | 58,991,087 | 56,064,831 |

(iii) By interest/profit rate sensitivity:

| | Group | | Bank | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Fixed rate | | | | |
| Housing loans/financing | 43,353 | 47,046 | 43,353 | 47,046 |
| Other fixed rate loans/financing | 3,616,270 | 3,072,442 | 3,616,270 | 3,072,442 |
| Variable rate | | | | |
| BLR plus | 52,565,135 | 50,108,650 | 52,565,135 | 50,108,811 |
| Cost-plus | 1,796,189 | 1,919,914 | 1,987,073 | 2,115,866 |
| Other variable rates | 779,256 | 720,665 | 779,256 | 720,666 |
| | 58,800,203 | 55,868,717 | 58,991,087 | 56,064,831 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****15. LOANS AND ADVANCES (con'td.)****(iv) By sector:**

| | Group | | Bank | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Agriculture, hunting, forestry and fishing | 1,127,034 | 1,101,105 | 1,127,034 | 1,101,105 |
| Mining and quarrying | 123,601 | 131,908 | 123,601 | 131,908 |
| Manufacturing | 6,183,236 | 6,280,758 | 6,183,236 | 6,280,758 |
| Electricity, gas and water | 24,185 | 27,921 | 24,185 | 27,921 |
| Construction | 4,998,949 | 4,609,804 | 4,998,949 | 4,609,804 |
| Wholesale & retail trade and restaurants & hotels | 7,401,082 | 7,442,566 | 7,401,082 | 7,442,566 |
| Transport, storage and communication | 594,699 | 583,656 | 594,699 | 583,656 |
| Finance, insurance and business services | 2,293,324 | 2,245,269 | 2,293,324 | 2,245,269 |
| Real estate | 3,093,004 | 2,700,043 | 3,283,888 | 2,896,157 |
| Community, social and personal services | 188,700 | 176,234 | 188,700 | 176,234 |
| Households of which: | 32,769,377 | 30,477,854 | 32,769,377 | 30,477,854 |
| - purchase of residential properties | 22,761,134 | 21,270,423 | 22,761,134 | 21,270,423 |
| - purchase of non residential properties | 5,472,135 | 4,821,014 | 5,472,135 | 4,821,014 |
| - others | 4,536,108 | 4,386,417 | 4,536,108 | 4,386,417 |
| Others | 3,012 | 91,599 | 3,012 | 91,599 |
| | 58,800,203 | 55,868,717 | 58,991,087 | 56,064,831 |

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

| | Group | | Bank | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| At 1 January | 994,171 | 833,396 | 994,171 | 833,396 |
| Classified as impaired during the period/year | 393,028 | 707,381 | 393,028 | 707,381 |
| Amount recovered | (169,930) | (265,107) | (169,930) | (265,107) |
| Reclassified as non-impaired | (148,194) | (181,544) | (148,194) | (181,544) |
| Amount written off | (73,019) | (99,955) | (73,019) | (99,955) |
| At 30 Jun / 31 Dec | 996,056 | 994,171 | 996,056 | 994,171 |
| Individual impairment | (279,786) | (317,731) | (279,786) | (317,731) |
| Net impaired loans and advances | 716,270 | 676,440 | 716,270 | 676,440 |
| Ratio of net impaired loans and advances to net loans and advances | 1.2% | 1.2% | 1.2% | 1.2% |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****15. LOANS AND ADVANCES (con'td.)****(vi) Movements in allowance for losses on
loans and advances are as follows:**

| | Group and Bank | |
|---------------------------------------|-----------------------|-----------------------|
| | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 |
| <u>Collective Impairment</u> | | |
| At 1 January | | |
| As reported under FRS | 553,711 | 721,569 |
| Effects of transition to MFRS | - | (270,118) |
| As reported under MFRS | <u>553,711</u> | <u>451,451</u> |
| Allowance made during the period/year | 60,809 | 102,260 |
| At 30 Jun / 31 Dec | <u><u>614,520</u></u> | <u><u>553,711</u></u> |

| | Group and Bank | |
|--|-----------------------|-----------------------|
| | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 |
| <u>Individual Impairment</u> | | |
| At 1 January | 317,731 | 249,315 |
| Allowance made during the period/year | 130,261 | 307,627 |
| Amount written back in respect of recoveries | (98,037) | (119,568) |
| Amount written off | (76,249) | (108,794) |
| Interest recognition on impaired loans | 5,150 | (3,658) |
| Transfer to debt restructuring | (1,434) | (7,191) |
| Other adjustment | 2,364 | - |
| At 30 Jun / 31 Dec | <u><u>279,786</u></u> | <u><u>317,731</u></u> |

**(vii) Impaired loans according to
economic sectors are as follows:**

| | Group and Bank | |
|--|-----------------------|-----------------------|
| | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 |
| Agriculture, hunting, forestry and fishing | 194 | 216 |
| Manufacturing | 268,300 | 318,562 |
| Construction | 136,776 | 117,252 |
| Wholesale & retail trade and restaurants & hotels | 94,388 | 100,718 |
| Transport, storage and communication | 3,630 | 5,503 |
| Finance, insurance and business services | 17,420 | 19,987 |
| Real estate | 22,424 | 22,733 |
| Community, social and personal services | 925 | 1,068 |
| Households of which: | 451,999 | 408,132 |
| - purchase of residential properties | 339,778 | 314,356 |
| - purchase of non residential properties | 41,337 | 34,721 |
| - others | 70,884 | 59,055 |
| | <u><u>996,056</u></u> | <u><u>994,171</u></u> |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****16. FINANCIAL DERIVATIVES**

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. The fair values of the derivatives are as follows:

| | Group and Bank | | |
|---------------------------------|---|---|---|
| | Contract or underlying principal amount RM'000 | Positive fair value RM'000 | Negative fair value RM'000 |
| As at 30 June 2013 | | | |
| Foreign exchange contracts | | | |
| - forwards | 8,092,039 | 94,199 | 82,949 |
| - swaps | 8,430,251 | 82,517 | 88,885 |
| - options | 2,416,566 | 18,501 | 10,568 |
| Interest rate related contracts | | | |
| - swaps | 16,497,569 | 108,925 | 136,501 |
| Equity related contracts | | | |
| - swaps | 59,108 | 1,196 | 1,196 |
| - options | 610,050 | 1,945 | 1,945 |
| | | <u>307,283</u> | <u>322,044</u> |
| As at 31 December 2012 | | | |
| Foreign exchange contracts | | | |
| - forwards | 3,484,309 | 15,779 | 16,824 |
| - swaps | 3,583,731 | 19,204 | 20,862 |
| Interest rate related contracts | | | |
| - swaps | 17,574,575 | 113,060 | 138,521 |
| Options | 1,444,833 | 6,034 | 7,773 |
| | | <u>154,077</u> | <u>183,980</u> |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****17. OTHER ASSETS**

| | Group | | Bank | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Other receivables, deposits and prepayments | 164,666 | 128,488 | 170,596 | 132,517 |
| Accrued interest receivable | 94,561 | 72,970 | 94,561 | 72,970 |
| Amount due from subsidiaries | - | - | 304 | 294 |
| Precious Metal accounts | 430,363 | 344,497 | 430,363 | 344,497 |
| | 689,590 | 545,955 | 695,824 | 550,278 |

18. DEPOSITS FROM CUSTOMERS

| | Group | | Bank | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Demand deposits | 11,340,594 | 10,306,906 | 11,348,840 | 10,325,066 |
| Savings deposits | 3,810,165 | 3,234,645 | 3,810,165 | 3,234,645 |
| Fixed deposits | 40,447,725 | 35,047,213 | 40,458,847 | 35,048,277 |
| Negotiable instruments of deposits | 1,773,384 | 2,901,472 | 1,773,384 | 2,901,472 |
| Structured deposits / Others | 8,326,290 | 14,097,614 | 8,326,290 | 14,097,614 |
| | 65,698,158 | 65,587,850 | 65,717,526 | 65,607,074 |

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

| | | | | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| Due within six months | 33,604,876 | 27,155,471 | 33,615,998 | 27,156,535 |
| Six months to one year | 8,554,803 | 10,672,533 | 8,554,803 | 10,672,533 |
| One year to three years | 57,672 | 116,233 | 57,672 | 116,233 |
| Three years to five years | 3,758 | 4,448 | 3,758 | 4,448 |
| | 42,221,109 | 37,948,685 | 42,232,231 | 37,949,749 |

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

| | | | | |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| Business enterprises | | | | |
| - Subsidiaries | - | - | 19,368 | 19,224 |
| - Others | 28,272,936 | 29,156,395 | 28,272,936 | 29,156,395 |
| Individuals | 32,217,375 | 29,066,701 | 32,217,375 | 29,066,701 |
| Others | 5,207,847 | 7,364,754 | 5,207,847 | 7,364,754 |
| | 65,698,158 | 65,587,850 | 65,717,526 | 65,607,074 |

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

| | Group | | Bank | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Licensed banks in Malaysia | 37,666 | 383,905 | 37,666 | 383,905 |
| Bank Negara Malaysia | 1,762,162 | 1,674,061 | 1,762,162 | 1,674,061 |
| Other financial institutions outside Malaysia | 6,941,623 | 2,296,696 | 6,942,050 | 2,297,122 |
| | 8,741,451 | 4,354,662 | 8,741,878 | 4,355,088 |

20. OTHER LIABILITIES

| | Group | | Bank | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Provision for commitments and contingencies | 2,501 | 165 | 2,501 | 165 |
| Accrued interest payable | 456,403 | 409,253 | 455,479 | 408,313 |
| Accruals and provisions for operational expenses | 79,698 | 134,297 | 79,428 | 133,998 |
| Other accruals and provisions | 714,758 | 604,582 | 714,741 | 604,550 |
| Deferred income | 298,024 | 313,178 | 298,024 | 313,178 |
| | 1,551,384 | 1,461,475 | 1,550,173 | 1,460,204 |

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013**

21. SUBORDINATED BONDS

| | Group and Bank | |
|--|-----------------------|----------------|
| | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 |
| RM500 million Subordinated Bonds 2010 / 2020, at par | 500,000 | 500,000 |
| Unamortised expenses relating to issue of Subordinated Bonds | (594) | (742) |
| | <u>499,406</u> | <u>499,258</u> |

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

The Bonds 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 or maturity date of the Bonds (whichever is earlier).

The Bonds 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 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.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****22. OPERATING REVENUE**

Operating revenue of the Group and the Bank comprise interest income, commission income, investment income/(loss), trustee and nominee services and other income derived from banking operation.

23. INTEREST INCOME

| | Group | | Bank | |
|--|------------------|------------------|------------------|------------------|
| | Six Months Ended | | Six Months Ended | |
| | Jun-13 | Jun-12 | Jun-13 | Jun-12 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans and advances | | | | |
| - Interest income other than recoveries from impaired loans | 1,387,718 | 1,241,092 | 1,391,243 | 1,244,564 |
| - Recoveries from impaired loans | 34,856 | 33,864 | 34,856 | 33,864 |
| Money at call and deposit placements with financial institutions | 182,738 | 104,161 | 182,738 | 104,161 |
| Financial assets at fair value through profit or loss | 35,349 | 52,590 | 35,349 | 52,590 |
| Available-for-sale securities | 110,238 | 137,998 | 110,238 | 137,998 |
| Others | - | 527 | - | 527 |
| | 1,750,899 | 1,570,232 | 1,754,424 | 1,573,704 |
| Amortisation of premium less accretion of discount on: | | | | |
| - Financial assets at fair value through profit or loss | (249) | (426) | (249) | (426) |
| - Available-for-sale securities | (4,091) | (2,750) | (4,091) | (2,750) |
| | 1,746,559 | 1,567,056 | 1,750,084 | 1,570,528 |

24. INTEREST EXPENSE

| | Group | | Bank | |
|---|------------------|----------------|------------------|----------------|
| | Six Months Ended | | Six Months Ended | |
| | Jun-13 | Jun-12 | Jun-13 | Jun-12 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and placements of banks and other financial institutions | 44,571 | 43,845 | 44,635 | 43,858 |
| Deposits from customers | 920,731 | 790,232 | 920,731 | 790,232 |
| Subordinated Bonds | 12,266 | 12,324 | 12,266 | 12,324 |
| Others | 11,514 | 8,866 | 11,514 | 8,866 |
| | 989,082 | 855,267 | 989,146 | 855,280 |

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****25. OTHER OPERATING INCOME**

| | Group | | Bank | |
|---|------------------|----------------|------------------|----------------|
| | Six Months Ended | | Six Months Ended | |
| | Jun-13 | Jun-12 | Jun-13 | Jun-12 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Fee income</u> | | | | |
| Commission | 100,142 | 81,273 | 100,142 | 81,273 |
| Guarantee fees | 26,839 | 32,308 | 26,839 | 32,308 |
| Service charges and fees | 93,153 | 93,871 | 93,214 | 93,931 |
| Commitment fees | 12,506 | 11,830 | 12,510 | 11,835 |
| Arrangement and participation fees | 65 | 6,536 | 65 | 6,536 |
| | 232,705 | 225,818 | 232,770 | 225,883 |
| <u>Net gains and losses on financial instruments</u> | | | | |
| Gain / (Loss) from sale of financial assets | | | | |
| at fair value through profit or loss | 8,539 | (1,053) | 8,539 | (1,053) |
| Gain from trading derivatives | 17,940 | 19,056 | 17,940 | 19,056 |
| Gain from sale of precious metal | 4,200 | 2,469 | 4,200 | 2,469 |
| Gain from sale/recovery of | | | | |
| available-for-sale securities | 14,770 | 8,414 | 14,770 | 8,414 |
| Unrealised (loss) / gain on financial assets | | | | |
| at fair value through profit or loss | (1,005) | 14,988 | (1,005) | 14,988 |
| Gross dividends from : | | | | |
| - Available-for-sale securities | | | | |
| quoted in Malaysia | 409 | 448 | 409 | 448 |
| | 44,853 | 44,322 | 44,853 | 44,322 |
| <u>Other income</u> | | | | |
| Foreign exchange gain / (loss) | | | | |
| - realised | 78,972 | 67,291 | 78,972 | 67,291 |
| - unrealised | (16,078) | (15,132) | (16,078) | (15,132) |
| Rental income from operating leases, other | | | | |
| than those from investment property | 96 | 75 | 37 | 27 |
| Rental income from investment property | - | 250 | - | - |
| Loss on disposal of property, plant | | | | |
| and equipment | (8) | (10) | (8) | (10) |
| Gross dividends from : | | | | |
| - Associate | - | - | 14,752 | 1,668 |
| Other operating income | 2,299 | 2,188 | 2,299 | 2,188 |
| Others | 9,510 | 8,824 | 9,510 | 8,783 |
| | 74,791 | 63,486 | 89,484 | 64,815 |
| | 352,349 | 333,626 | 367,107 | 335,020 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****26. OTHER OPERATING EXPENSES**

| | Group | | Bank | |
|---|-------------------------|---------------|-------------------------|---------------|
| | Six Months Ended | | Six Months Ended | |
| | Jun-13 | Jun-12 | Jun-13 | Jun-12 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 249,016 | 214,201 | 247,508 | 212,051 |
| Establishment related expenses | 65,173 | 59,772 | 71,929 | 65,387 |
| Promotion and marketing related expenses | 20,232 | 15,843 | 20,246 | 17,464 |
| General administrative expenses | 48,237 | 50,288 | 48,253 | 49,953 |
| | 382,658 | 340,104 | 387,936 | 344,855 |
| <u>Personnel expenses</u> | | | | |
| Wages, salaries and bonus | 195,747 | 169,639 | 194,547 | 167,782 |
| Employees Provident Fund Contributions (EPF) | 32,100 | 24,573 | 31,909 | 24,309 |
| Other employee benefits | 21,169 | 19,989 | 21,052 | 19,960 |
| | 249,016 | 214,201 | 247,508 | 212,051 |
| <u>Establishment related expenses</u> | | | | |
| Depreciation of property, plant and equipment | 16,898 | 16,142 | 13,722 | 13,538 |
| Hire of equipment | 42 | 33 | 42 | 33 |
| Information technology costs | 5,650 | 6,582 | 5,622 | 6,582 |
| Repair and maintenance | 8,148 | 8,141 | 8,249 | 7,690 |
| Rental of premises | 6,855 | 6,356 | 15,875 | 14,018 |
| Others | 27,580 | 22,518 | 28,419 | 23,526 |
| | 65,173 | 59,772 | 71,929 | 65,387 |
| <u>Promotion and marketing related expenses</u> | | | | |
| Advertisement and publicity | 12,301 | 10,746 | 12,299 | 10,742 |
| Others | 7,931 | 5,097 | 7,947 | 6,722 |
| | 20,232 | 15,843 | 20,246 | 17,464 |
| <u>General administrative expenses</u> | | | | |
| Fees and commissions paid | 22,511 | 23,743 | 22,542 | 23,522 |
| Others | 25,726 | 26,545 | 25,711 | 26,431 |
| | 48,237 | 50,288 | 48,253 | 49,953 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****27. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES**

| | Group | | Bank | |
|--|-------------------------|----------|-------------------------|----------|
| | Six Months Ended | | Six Months Ended | |
| | Jun-13 | Jun-12 | Jun-13 | Jun-12 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Allowance for impaired loans and advances | | | | |
| (a) Individual impairment | | | | |
| - Made in the financial period | 130,261 | 160,678 | 130,261 | 160,678 |
| - Written back in the financial period | (98,037) | (60,600) | (98,037) | (60,600) |
| (b) Collective impairment | | | | |
| - Made in the financial period | 60,809 | 48,562 | 60,809 | 48,562 |
| Impaired loans and advances | | | | |
| - Written back | (1,911) | (4,183) | (1,911) | (4,183) |
| - Recovered | (24,162) | (34,237) | (24,162) | (34,237) |
| | 66,960 | 110,220 | 66,960 | 110,220 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****28. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY**

The Group computes capital adequacy ratios in accordance with Bank Negara Malaysia's Capital Adequacy framework (Capital Components).

| | Group | | Bank | |
|--|------------------|-----------|------------------|-----------|
| | 30-Jun-13 | 31-Dec-12 | 30-Jun-13 | 31-Dec-12 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Common Equity Tier 1 (CET1) 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 | 3,870,734 | 4,191,509 | 3,814,897 | 4,135,672 |
| Statutory reserve | 470,000 | 470,000 | 470,000 | 470,000 |
| Other reserves | 121,969 | 129,837 | (577) | 7,291 |
| Regulatory adjustments applied in the calculation of CET1 Capital | (368,035) | (365,943) | (253,101) | (251,008) |
| Total CET1 / Tier 1 capital | 4,887,223 | 5,217,958 | 4,823,774 | 5,154,510 |
| <u>Tier 2 capital</u> | | | | |
| Tier II capital instruments | 450,000 | 500,000 | 450,000 | 500,000 |
| Loan/financing loss provision | | | | |
| - Surplus eligible provisions over expected losses | 111,565 | 80,847 | 115,037 | 84,208 |
| - Collective impairment provisions | 102,890 | 91,195 | 99,418 | 87,834 |
| Regulatory adjustments applied in the calculation of Tier 2 Capital | (67,659) | (67,659) | (122,783) | (122,783) |
| Total Tier II capital | 596,796 | 604,383 | 541,672 | 549,259 |
| Total capital | 5,484,019 | 5,822,341 | 5,365,446 | 5,703,769 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****28. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (con'td.)**

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

| | Group | | Bank | |
|--------------------|---------------|-----------|---------------|-----------|
| | 30-Jun-13 | 31-Dec-12 | 30-Jun-13 | 31-Dec-12 |
| CET1/ Tier 1 ratio | 12.35% | 14.12% | 12.26% | 14.04% |
| Total Capital | 13.86% | 15.76% | 13.64% | 15.53% |

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

| | Group | | Bank | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 | 30-Jun-13 RM'000 | 31-Dec-12 RM'000 |
| Total RWA for credit risk | 34,829,091 | 32,264,452 | 34,594,299 | 32,027,944 |
| Total RWA for market risk | 1,048,305 | 797,538 | 1,048,305 | 797,538 |
| Total RWA for operational risk | 3,696,898 | 3,466,298 | 3,696,898 | 3,466,298 |
| Large Exposure risk RWA for Equity Holdings | - | 427,009 | - | 427,009 |
| | 39,574,294 | 36,955,297 | 39,339,502 | 36,718,789 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****29. COMMITMENTS AND CONTINGENCIES**

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

| | Group and Bank | | |
|---|--|--|--|
| | Principal Amount RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Amount RM'000 |
| As at 30 June 2013 | | | |
| Direct credit substitutes | 2,289,504 | 2,289,504 | 1,453,726 |
| Transaction-related contingent items | 3,038,745 | 1,519,372 | 882,086 |
| Short-term self-liquidating trade-related contingencies | 352,860 | 70,572 | 43,163 |
| Foreign exchange related contracts | | | |
| - less than one year | 15,185,780 | 320,288 | 100,600 |
| - one year to less than five years | 527,686 | 45,728 | 45,728 |
| Interest rates related contracts | | | |
| - less than one year | 1,950,667 | 7,636 | 2,578 |
| - one year to less than five years | 13,834,044 | 490,002 | 268,969 |
| - five years and above | 692,912 | 52,837 | 44,345 |
| Equity related contracts | | | |
| - less than one year | 597,711 | 20,014 | 7,299 |
| - one year to less than five years | 41,892 | 1,676 | 660 |
| Others | 14,763,965 | 1,406,141 | 210,895 |
| Total | 53,275,766 | 6,223,770 | 3,060,049 |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013****29. COMMITMENTS AND CONTINGENCIES (con'td.)**

| | Group and Bank | | |
|---|--|--|--|
| | Principal Amount RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Amount RM'000 |
| As at 31 December 2012 | | | |
| Direct credit substitutes | 1,827,459 | 1,827,458 | 1,065,306 |
| Transaction-related contingent items | 2,831,763 | 1,415,882 | 815,881 |
| Short-term self-liquidating trade-related contingencies | 308,146 | 61,629 | 37,405 |
| Foreign exchange related contracts | | | |
| - less than one year | 6,308,248 | 107,590 | 33,552 |
| - one year to less than five years | 318,141 | 16,730 | 16,106 |
| Interest rates related contracts | | | |
| - less than one year | 5,182,221 | 17,310 | 5,870 |
| - one year to less than five years | 10,949,435 | 366,195 | 202,047 |
| - five years and above | 1,398,464 | 114,753 | 88,333 |
| Equity related contracts | | | |
| - less than one year | 95,013 | 3,885 | 2,496 |
| - one year to less than five years | 75,446 | 1,639 | 447 |
| Others | 13,639,533 | 1,246,635 | 175,487 |
| Total | 42,933,869 | 5,179,706 | 2,442,930 |

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

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

The Bank had implemented the Basel II Internal Ratings-Based Approach for weighted assets computation effective from June 2010.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2013**

30. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

| | 30-Jun-13 | 31-Dec-12 |
|---|-----------------------|----------------|
| Outstanding credit exposures with connected parties (RM'000) | <u>130,317</u> | <u>354,659</u> |
| Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures | <u>2.100%</u> | <u>2.750%</u> |
| Percentage of outstanding credit exposures to connected parties which is impaired or in default | <u>0.001%</u> | <u>0.001%</u> |

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

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2013

31. PERFORMANCE REVIEW

The Bank recorded a pre-tax profit of RM673.3 million for the half year ended 30 Jun 2013, an increase of RM49.8 million or 8.0% as compared to the corresponding period last year. The better performance was mainly on the back of higher total income, lower allowance for impairment on loans and advances, higher share of net profit of associates but moderated by higher other operating expenses and higher impairment loss on AFS securities.

Net interest income increased by RM45.7 million or 6.4% to RM757.5 million mainly driven by healthy loans growth contributed by households, real estate and construction sector. Other operating income also grew by RM18.7 million or 5.6% to RM352.3 million mainly contributed by both fee income and profit on foreign exchange.

Total operating expenses rose by RM42.6 million or 12.5% to RM382.7 million mainly due to higher staff expenses and establishment related expenses. Expense to income ratio stood at 34.5%.

Allowance for impairment on loans and advances was at RM67.0 million, reduced by RM43.3 million mainly due to lower individual impairment. Asset quality remained healthy with the net non-performing loans ratio maintained at 1.2%.

Year to date, gross loans increased by RM2.9 billion or 5.2% to RM58.8 billion while non bank deposits increased by RM0.1 billion or 0.2% to RM65.7 billion. Net loans to deposit ratio stood at 88.1%.

32. PROSPECTS FOR 2013

The global economy is expected to continue its moderate expansion, but downside risks to growth will remain. Nevertheless, in Asia, growth will continue to be sustained by domestic demand.

For Malaysian economy, domestic demand is expected to remain as the key driver of growth, driven by sustained private sector expansion, supported by the public sector spending.

The Bank will continue to invest in ensuring sustainable business growth, building a common operating platform which is shared across the region and enhancing the development of our people.

The Bank continues to be cautiously optimistic to achieve a satisfactory result in 2013.