

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 JUNE 2014

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Notes	Group		Bank	
		30-Jun-14 RM'000	31-Dec-13 RM'000	30-Jun-14 RM'000	31-Dec-13 RM'000
ASSETS					
Cash and short-term funds	11	14,664,062	15,104,134	14,664,062	15,104,134
Securities purchased under resale agreements		1,647,997	2,149,113	1,647,997	2,149,113
Deposits and placements with financial institutions	12	474,801	2,802,804	474,801	2,802,804
Financial assets at fair value through profit or loss	13	1,397,922	1,709,534	1,397,922	1,709,534
Available-for-sale ("AFS") securities	14	5,767,069	3,092,372	5,767,069	3,092,372
Loans and advances	15	63,529,974	61,308,278	63,720,057	61,479,326
Derivative financial assets	16	227,946	320,123	227,946	320,123
Other assets	17	623,588	707,528	626,164	711,322
Statutory deposits with Bank Negara Malaysia		1,966,350	1,925,500	1,966,350	1,925,500
Investment in subsidiaries		-	-	50	50
Investment in an associate		135,591	273,518	119,728	119,728
Property, plant and equipment		427,678	399,202	179,284	170,156
Deferred tax assets		182,469	212,053	184,640	214,224
Total assets		91,045,447	90,004,159	90,976,070	89,798,386
LIABILITIES AND EQUITY					
Deposits from customers	18	69,651,540	69,287,474	69,653,501	69,290,205
Deposits and placements of banks and other financial institutions	19	8,620,267	9,923,281	8,620,297	9,923,698
Bills and acceptances payable		3,369,808	1,734,677	3,369,808	1,734,677
Derivative financial liabilities	16	282,514	256,175	282,514	256,175
Other liabilities	20	1,515,339	1,506,305	1,514,069	1,504,716
Tax payable		50,531	25,135	50,584	25,187
Subordinated bonds	21	999,721	999,564	999,721	999,564
Total liabilities		84,489,720	83,732,611	84,490,494	83,734,222
Equity attributable to equity holders of the Bank					
Share capital		470,000	470,000	470,000	470,000
Reserves		6,085,727	5,801,548	6,015,576	5,594,164
Total equity		6,555,727	6,271,548	6,485,576	6,064,164
TOTAL LIABILITIES AND EQUITY		91,045,447	90,004,159	90,976,070	89,798,386
COMMITMENTS AND CONTINGENCIES	29	61,716,622	54,142,224	61,716,622	54,142,224

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 2013.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2014**

Group	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
Operating revenue	22	1,148,166	1,059,807	2,278,765	2,066,808
Interest income	23	974,178	878,403	1,937,774	1,746,559
Interest expense	24	(532,532)	(491,945)	(1,090,703)	(989,082)
Net interest income		441,646	386,458	847,071	757,477
Other operating income	25	177,076	191,801	347,117	352,349
Operating income		618,722	578,259	1,194,188	1,109,826
Other operating expenses	26	(251,167)	(198,524)	(466,883)	(382,658)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and net provision for commitments and contingencies		367,555	379,735	727,305	727,168
Allowance for impairment on loans and advances	27	(51,817)	(66,560)	(94,539)	(66,960)
Impairment loss on AFS securities		-	(6,051)	(9,725)	(21,128)
Net writeback/(provision) for commitments and contingencies		2,890	(2,123)	(783)	(4,700)
		318,628	305,001	622,258	634,380
Share of net profit of associates		6,051	28,598	73,214	38,938
Profit before taxation		324,679	333,599	695,472	673,318
Income tax expense		(78,485)	(74,067)	(152,851)	(154,403)
Profit for the financial period attributable to equity holders of the Bank		246,194	259,532	542,621	518,915
Earnings per share					
- basic \ diluted (sen)		52.4	55.2	115.5	110.4

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2014**

Bank	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
Operating revenue	22	1,149,979	1,076,314	2,493,684	2,085,090
Interest income	23	975,983	880,161	1,941,305	1,750,084
Interest expense	24	(532,551)	(492,003)	(1,090,741)	(989,146)
Net interest income		443,432	388,158	850,564	760,938
Other operating income	25	177,082	206,551	558,503	367,107
Operating income		620,514	594,709	1,409,067	1,128,045
Other operating expenses	26	(253,834)	(201,572)	(471,321)	(387,936)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and net provision for commitments and contingencies		366,680	393,137	937,746	740,109
Allowance for impairment on loans and advances	27	(51,817)	(66,560)	(94,539)	(66,960)
Impairment loss on AFS securities		-	(6,051)	(9,725)	(21,128)
Net writeback/(provision) for commitments and contingencies		2,890	(2,123)	(783)	(4,700)
Profit before taxation		317,753	318,403	832,699	647,321
Income tax expense		(25,693)	(77,741)	(152,846)	(158,075)
Profit for the financial period attributable to equity holders of the Bank		292,060	240,662	679,853	489,246
Earnings per share - basic \ diluted (sen)		62.1	51.2	144.6	104.1

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 2013.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014**

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Profit for the period	246,194	259,532	542,621	518,915
Other comprehensive income/(loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Net gain/(loss) on revaluation of				
AFS securities	115,811	(12,038)	118,339	(10,492)
Income tax effect	(29,585)	3,010	(29,585)	2,623
Other comprehensive income/(loss)				
for the period, net of tax	86,226	(9,028)	88,754	(7,869)
Total comprehensive income for the				
period attributable to equity holders				
of the Bank	332,420	250,504	631,375	511,046

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 2013.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014**

	Second Quarter		Six Months	
	Ended		Ended	
Bank	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Profit for the period	292,060	240,662	679,853	489,246
Other comprehensive income/(loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Net gain/(loss) on revaluation of				
AFS securities	115,811	(12,038)	118,339	(10,492)
Income tax effect	(29,585)	3,010	(29,585)	2,623
Other comprehensive income/(loss)				
for the period, net of tax	86,226	(9,028)	88,754	(7,869)
Total comprehensive income for the				
period attributable to equity holders				
of the Bank	378,286	231,634	768,607	481,377

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 2013.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014**

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
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	-	-	-	-	-	542,621	542,621
Other comprehensive income for the period	-	-	-	-	88,754	-	88,754
Total comprehensive income for the period	-	-	-	-	88,754	542,621	631,375
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2013	-	-	-	-	-	(347,195)	(347,195)
Balance as at 30 June 2014	470,000	322,555	470,000	104,015	83,480	5,105,678	6,555,728

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 2013.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014 (con'td.)**

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
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 loss for the period	-	-	-	-	(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

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 2013.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014**

BANK	← Non-distributable			→ Distributable		Total
	Share capital	Share premium	Statutory reserve	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	-	-	-	-	679,853	679,853
Other comprehensive income for the period	-	-	-	88,754	-	88,754
Total comprehensive income for the period	-	-	-	88,754	679,853	768,607
Transactions with owners:						
Dividends paid:						
- final dividend for the year ended 31 December 2013	-	-	-	-	(347,195)	(347,195)
Balance as at 30 June 2014	470,000	322,555	470,000	83,480	5,139,541	6,485,576

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 2013.

Company No. 271809K

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014 (con'td.)**

BANK (con'td.)	← Non-distributable			→ Distributable		Total
	Share capital	Share premium	Statutory reserve	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013						
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 loss for the period	-	-	-	(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

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 2013.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2014**

	Group		Bank	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	695,472	673,318	832,699	647,321
Adjustments for non-operating and non-cash items	73,504	(62,905)	(67,719)	(41,897)
Operating profit before working capital changes	768,976	610,413	764,980	605,424
Changes in working capital:				
Net changes in operating assets	(1,363,358)	(3,745,425)	(1,381,173)	(3,742,106)
Net changes in operating liabilities	603,920	5,334,152	603,084	5,334,357
Tax expense paid	(127,424)	(141,791)	(127,421)	(141,758)
Net cash (used in)/generated from operating activities	(117,886)	2,057,349	(140,530)	2,055,917
Net cash (used in)/generated from investing activities	(2,303,150)	7,976,704	(2,280,506)	7,978,136
Net cash used in financing activities	(347,039)	(320,627)	(347,039)	(320,627)
Net (decrease)/increase in cash and cash equivalents during the period	(2,768,075)	9,713,426	(2,768,075)	9,713,426
Cash and cash equivalents at beginning of the period	17,906,938	7,308,291	17,906,938	7,308,291
Cash and cash equivalents at end of the period	15,138,863	17,021,717	15,138,863	17,021,717

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 2013.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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 2013. 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 2013.

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 2013, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), amendments to MFRSs and IC Interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB"):-

i) Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
ii) Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
iii) Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
iv) Amendments to MFRS 139	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
v) IC Interpretation 21	Levies

The adoption of the MFRSs, and amendments to MFRSs and IC Interpretations above did not have any material impact on the financial statements of the Group and the Bank in the current financial period.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

1. BASIS OF PREPARATION (con'td.)

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

Effective for financial periods beginning on or after 1 July 2014

i) Amendments to MFRS 2	Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)
ii) Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)
iii) Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)
iv) Amendments to MFRS 8	Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)
v) Amendments to MFRS 13	Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)
vi) Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)
vii) Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
viii) Amendments to MFRS 124	Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)
ix) Amendments to MFRS 138	Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)
x) Amendments to MFRS 140	Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)

Effective date to be announced by MASB

i) MFRS 9	Financial Instruments (2009)
ii) MFRS 9	Financial Instruments (2010)
iii) MFRS 9	Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)
iv) Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures
v) Amendments to MFRS 9	Financial Instruments-Mandatory Date of MFRS 9 and Transition Disclosures

Except for MFRS 9, the initial application of all the above applicable MFRSs and the amendments is not expected to have any material impact on the financial statements 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 2013 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 30 June 2014.

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 30 June 2014.

6. DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the period ended 30 June 2014.

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 were brought forward from the previous audited financial statements for the financial year ended 31 December 2013.

8. DIVIDENDS

A final single tier dividend of 73.90% in respect of the financial year ended 31 December 2013, amounting to RM347,195,000 was paid on 29 April 2014.

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 30 June 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES**11. CASH AND SHORT-TERM FUNDS**

	Group and Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
Cash and balances with banks and other financial institutions	592,601	568,619
Money at call and deposit placements maturing within one month	14,071,461	14,535,515
	14,664,062	15,104,134

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
Licensed banks	474,801	2,804
Bank Negara Malaysia	-	2,800,000
	474,801	2,802,804

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
Held-for-trading securities		
At fair value:		
Bank Negara Malaysia bills	-	520,776
Malaysian Government treasury bills	82,116	156,609
Malaysian Government securities	499,483	178,292
Private debt securities	-	20,046
Bankers' acceptances and Islamic accepted bills	70,740	155,272
Total held-for-trading securities	652,339	1,030,995
Designated as fair value through profit or loss		
In Malaysia but denominated in United States Dollar		
Private debt securities	745,583	678,539
Total financial assets at fair value through profit or loss	1,397,922	1,709,534

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES**14. AVAILABLE-FOR-SALE ("AFS") SECURITIES**

	Group and Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government securities	4,477,468	2,019,524
Cagamas bonds	862,228	708,571
	5,339,696	2,728,095
Private debt securities of Companies incorporated		
In Malaysia:		
Quoted Corporate bonds	316,718	360,664
Impairment loss	(39,960)	(30,235)
	276,758	330,429
Quoted securities:		
Shares of corporations outside Malaysia	16,098	17,363
Shares of corporations in Malaysia	4,342	3,937
	20,440	21,300
Unquoted securities:		
Shares	129,899	12,272
Private debt securities	276	276
	130,175	12,548
Total available-for-sale securities	5,767,069	3,092,372

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES**15. LOANS AND ADVANCES**

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,860,321	2,805,718	2,860,321	2,805,856
Term loans and revolving credits				
Housing loans	23,743,060	22,798,703	23,743,060	22,798,703
Syndicated term loans	488,940	465,207	488,940	465,207
Factoring	38,684	16,675	38,684	16,675
Other term loans	28,763,420	27,463,553	28,953,503	27,634,463
Credit cards receivable	2,083,157	2,108,922	2,083,157	2,108,922
Bills receivable	154,553	187,714	154,553	187,714
Trust receipts	1,439,178	1,519,341	1,439,178	1,519,341
Claims on customers under acceptance credits	4,998,775	4,929,703	4,998,775	4,929,703
Staff loans	53,034	56,270	53,034	56,270
Others	6,671	1,916	6,671	1,916
	64,629,793	62,353,722	64,819,876	62,524,770
Unearned interest	(52,006)	(43,083)	(52,006)	(43,083)
Gross loans and advances	64,577,787	62,310,639	64,767,870	62,481,687
Allowance for losses on loans and advances				
- Individual impairment	(254,202)	(274,857)	(254,202)	(274,857)
- Collective impairment	(793,611)	(727,504)	(793,611)	(727,504)
Net loans and advances	63,529,974	61,308,278	63,720,057	61,479,326

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)****(i) By maturity structure:**

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	15,748,745	15,705,753	15,748,745	15,705,891
One year to three years	2,617,561	2,396,913	2,807,644	2,567,823
Three years to five years	3,923,043	3,733,183	3,923,043	3,733,183
Over five years	42,288,438	40,474,790	42,288,438	40,474,790
	64,577,788	62,310,639	64,767,870	62,481,687

(ii) By type of customer:

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	784	-	784	-
Domestic non-bank financial institutions				
- Stockbroking companies	2,513	5,397	2,513	5,397
- Others	174,398	120,874	174,398	120,874
Domestic business enterprises				
- Small medium enterprises	14,298,976	13,758,174	14,298,976	13,758,174
- Others	13,446,692	13,212,480	13,636,775	13,383,528
Government	7	-	7	-
Individuals	31,505,172	30,293,603	31,505,172	30,293,603
Other domestic entities	42	-	42	-
Foreign entities	5,149,203	4,920,111	5,149,203	4,920,111
	64,577,787	62,310,639	64,767,870	62,481,687

(iii) By interest rate sensitivity:

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans	37,412	40,570	37,412	40,570
- Other fixed rate loans	4,200,091	4,080,341	4,200,091	4,080,341
Variable rate				
- Base lending rate-plus	58,484,175	56,166,422	58,484,175	56,166,560
- Cost-plus	1,856,109	2,023,306	2,046,192	2,194,216
	64,577,787	62,310,639	64,767,870	62,481,687

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)****(iv) By economic sector:**

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,161,769	1,254,389	1,161,769	1,254,389
Mining and quarrying	170,952	122,989	170,952	122,989
Manufacturing	6,228,895	6,339,559	6,228,895	6,339,559
Electricity, gas and water	15,520	16,064	15,520	16,064
Construction	5,788,537	5,518,212	5,788,537	5,518,212
Wholesale, retail trade, restaurants and hotels	7,789,992	7,458,621	7,789,992	7,458,621
Transport, storage and communication	776,153	709,611	776,153	709,611
Finance, insurance and business services	2,106,472	2,203,172	2,106,472	2,203,172
Real estate	4,165,904	3,792,459	4,355,987	3,963,507
Community, social and personal services	189,992	187,501	189,992	187,501
Households of which:	36,183,596	34,708,062	36,183,596	34,708,062
- purchase of residential properties	24,523,661	23,562,824	24,523,661	23,562,824
- purchase of non residential properties	6,901,197	6,317,319	6,901,197	6,317,319
- others	4,758,738	4,827,919	4,758,738	4,827,919
Others	5	-	5	-
	64,577,787	62,310,639	64,767,870	62,481,687

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

	Group and Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
Balance as at 1 January	1,073,975	994,171
Classified as impaired during the financial period/year	338,675	775,570
Amount recovered	(141,283)	(311,933)
Reclassified as non-impaired	(85,988)	(250,695)
Amount written off	(70,053)	(133,138)
Balance as at 30 June/31 December	1,115,326	1,073,975
Individual impairment	(254,202)	(274,857)
Net impaired loans and advances	861,124	799,118
Ratio of net impaired loans and advances to net loans and advances	1.3%	1.3%

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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:**

	Group and Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
<u>Collective Impairment</u>		
Balance as at 1 January	727,504	553,711
Allowance made during the financial period/year	66,107	173,793
Balance as at 30 June/31 December	<u>793,611</u>	<u>727,504</u>
<u>Individual Impairment</u>		
Balance as at 1 January	274,857	317,731
Allowance made during the financial period/year	95,311	265,748
Amount written back in respect of recoveries	(46,355)	(174,890)
Amount written off	(69,538)	(139,088)
Interest recognised on impaired loans	(73)	6,791
Transfer to debt restructuring	-	(1,435)
Balance as at 30 June/31 December	<u>254,202</u>	<u>274,857</u>

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

	Group and Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	134	164
Manufacturing	306,244	281,825
Construction	228,048	198,229
Wholesale, retail trade, restaurants and hotels	118,104	125,429
Transport, storage and communication	5,046	1,909
Finance, insurance and business services	19,843	22,976
Real estate	16,225	16,709
Community, social and personal services	784	904
Households of which:	420,898	425,830
- purchase of residential properties	325,683	320,463
- purchase of non residential properties	31,823	37,862
- others	63,392	67,505
	<u>1,115,326</u>	<u>1,073,975</u>

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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	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
In Malaysia	1,115,326	1,073,975

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 in hedge relationships and are measured at fair value through profit or loss.

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 2014			
Foreign exchange contracts	7,299,777	41,730	37,163
- forwards	7,429,536	67,800	90,126
- swaps	1,632,181	6,150	6,624
- options			
Interest rate related contracts			
- swaps	20,483,146	93,720	126,707
Equity related contracts			
- swaps	716,318	12,413	12,328
- options	295,979	3,646	3,646
Commodity related contracts			
- swaps	71,164	754	1,462
- future	287,617	1,733	4,458
	227,946	227,946	282,514

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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 2013			
Foreign exchange contracts			
- forwards	7,172,580	106,612	52,315
- swaps	7,235,948	83,977	29,180
- options	1,456,045	16,628	12,739
Interest rate related contracts			
- swaps	17,435,054	106,927	156,244
Equity related contracts			
- swaps	196,010	4,433	4,125
- options	588,596	1,508	1,508
Commodity related contracts			
- swaps	7,926	18	26
- future	7,836	20	38
	320,123	256,175	

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.

17. OTHER ASSETS

	Group		Bank	
	30-Jun-14 RM'000	31-Dec-13 RM'000	30-Jun-14 RM'000	31-Dec-13 RM'000
Other receivables, deposits and prepayments	106,203	187,714	108,779	191,390
Accrued interest receivable	101,328	91,159	101,328	91,159
Amount due from subsidiaries	-	-	-	118
Precious metal accounts	416,057	428,655	416,057	428,655
	623,588	707,528	626,164	711,322

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EXPLANATORY NOTES**18. DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Demand deposits	18,013,473	16,435,460	18,014,328	16,437,099
Savings deposits	1,225,899	1,175,726	1,225,899	1,175,726
Fixed deposits	39,243,942	40,082,790	39,245,048	40,083,882
Negotiable instruments of deposits	157,050	466,963	157,050	466,963
Others	11,011,176	11,126,535	11,011,176	11,126,535
	69,651,540	69,287,474	69,653,501	69,290,205

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

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Due within six months	28,722,945	29,397,720	28,724,051	29,398,812
Six months to one year	9,774,103	10,556,700	9,774,103	10,556,700
One year to three years	813,662	592,009	813,662	592,009
Three years to five years	90,282	3,324	90,282	3,324
	39,400,992	40,549,753	39,402,098	40,550,845

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

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Business enterprises				
- Subsidiaries	-	-	1,961	2,731
- Others	29,691,727	29,832,835	29,691,727	29,832,835
Individuals	33,467,277	32,969,314	33,467,277	32,969,314
Others	6,492,536	6,485,325	6,492,536	6,485,325
	69,651,540	69,287,474	69,653,501	69,290,205

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EXPLANATORY NOTES**19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Licensed banks in Malaysia	293,656	201,265	293,656	201,265
Bank Negara Malaysia	1,731,836	1,748,559	1,731,836	1,748,559
Other financial institutions	6,594,775	7,973,457	6,594,805	7,973,874
	8,620,267	9,923,281	8,620,297	9,923,698

20. OTHER LIABILITIES

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies	1,716	932	1,716	932
Accrued interest payable	402,373	418,688	401,384	417,640
Accruals and provisions for operational expenses	89,563	140,110	89,238	139,608
Amount due to subsidiaries	-	-	62	-
Other accruals and provisions	736,105	650,638	736,088	650,599
Deferred income	285,582	295,937	285,582	295,937
	1,515,339	1,506,305	1,514,070	1,504,716

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EXPLANATORY NOTES

21. SUBORDINATED BONDS

	Group and Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
RM500 million Subordinated Bonds 2010/2020, at par (Note (a))	500,000	500,000
RM500 million Subordinated Bonds 2013/2023, at par (Note (b))	500,000	500,000
Unamortised expenses relating to issue of Subordinated Bonds	(279)	(436)
	<u>999,721</u>	<u>999,564</u>

- (a) 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).

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.

- (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 income/(loss), investment income/(loss) and other income derived from banking operations.

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EXPLANATORY NOTES**23. INTEREST INCOME**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Interest income from loans and advances	784,696	705,854	1,543,899	1,387,718
Interest income from impaired loans and advances	17,651	16,043	35,574	34,856
Money at call and deposit placements with financial institutions	112,038	103,764	258,210	182,738
Financial assets at fair value through profit or loss	7,947	17,430	13,774	35,349
Available-for-sale securities	58,573	37,300	96,047	110,238
Others	-	(54)	-	-
	980,905	880,337	1,947,504	1,750,899

Amortisation of premium less accretion of discount on:

- financial assets at fair value through profit or loss

- available-for-sale securities

	(266)	359	(365)	(249)
	(6,461)	(2,293)	(9,365)	(4,091)
	974,178	878,403	1,937,774	1,746,559

Bank	Second Quarter Ended		Six Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Interest income from loans and advances	786,501	707,612	1,547,430	1,391,243
Interest income from impaired loans and advances	17,651	16,043	35,574	34,856
Money at call and deposit placements with financial institutions	112,038	103,764	258,210	182,738
Financial assets at fair value through profit or loss	7,947	17,430	13,774	35,349
Available-for-sale securities	58,573	37,300	96,047	110,238
Others	-	(54)	-	-
	982,710	882,095	1,951,035	1,754,424

Amortisation of premium less accretion of discount on:

- financial assets at fair value through profit or loss

- available-for-sale securities

	(266)	359	(365)	(249)
	(6,461)	(2,293)	(9,365)	(4,091)
	975,983	880,161	1,941,305	1,750,084

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EXPLANATORY NOTES**24. INTEREST EXPENSE**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	468,922	459,510	951,115	920,731
Deposits and placements of banks and other financial institutions	29,194	20,816	72,302	44,571
Subordinated bonds	11,798	6,142	23,538	12,266
Others	22,618	5,477	43,748	11,514
	532,532	491,945	1,090,703	989,082

Bank	Second Quarter Ended		Six Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	468,922	459,510	951,115	920,731
Deposits and placements of banks and other financial institutions	29,213	20,874	72,340	44,635
Subordinated bonds	11,798	6,142	23,538	12,266
Others	22,618	5,477	43,748	11,514
	532,551	492,003	1,090,741	989,146

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EXPLANATORY NOTES**25. OTHER OPERATING INCOME**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
<u>Fee income</u>				
Commission	62,160	52,537	111,467	100,142
Guarantee fees	14,871	17,025	27,716	26,839
Service charges and fees	40,401	49,582	94,925	93,153
Commitment fees	7,432	6,398	15,002	12,506
Arrangement and participation fees	1,117	(1,791)	3,743	65
	125,981	123,751	252,853	232,705
<u>Trading and Investment income</u>				
Gain from sale of financial assets				
at fair value through profit or loss	7,898	13,797	8,090	6,898
Gain/(loss) from trading derivatives	3,264	(10,324)	(1,941)	(20,093)
Unrealised (loss)/gain from trading derivatives	(3,282)	17,660	(7,064)	26,327
Gain from sale of precious metal	118	2,753	550	4,200
Gain from sale/recovery of available-for-sale securities	105	9,867	635	14,770
Unrealised loss on financial assets at fair value through profit or loss	(2,708)	(22,047)	(2,844)	(11,321)
Gross dividends from:				
- available-for-sale securities unquoted in Malaysia	-	392	521	409
	5,395	12,098	(2,053)	21,190
<u>Other income</u>				
Foreign exchange gain/(loss)				
- realised	90,569	69,004	214,573	78,972
- unrealised	(49,224)	(19,000)	(126,852)	7,585
Rental income from operating leases, other than those from investment properties	26	48	68	96
Gain/(loss) on disposal of property, plant and equipment	11	(5)	(145)	(8)
Other operating income	1,242	1,221	2,403	2,299
Others	3,076	4,684	6,270	9,510
	45,700	55,952	96,317	98,454
	177,076	191,801	347,117	352,349

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

Bank	Second Quarter Ended		Six Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	62,160	52,537	111,467	100,142
Guarantee fees	14,871	17,025	27,716	26,839
Service charges and fees	40,432	49,614	94,985	93,214
Commitment fees	7,433	6,394	15,006	12,510
Arrangement and participation fees	1,117	(1,791)	3,743	65
	126,013	123,779	252,917	232,770
<u>Trading and Investment income</u>				
Gain from sale of financial assets at fair value through profit or loss	7,898	14,656	8,090	6,898
Gain/(loss) from trading derivatives	3,264	(24,993)	(1,941)	(20,093)
Unrealised (loss)/gain from trading derivatives	(3,282)	26,327	(7,064)	26,327
Gain from sale of precious metal	118	2,753	550	4,200
Gain from sale/recovery of available-for-sale securities	105	9,867	635	14,770
Unrealised loss on financial assets at fair value through profit or loss	(2,708)	(26,570)	(2,844)	(11,321)
Gross dividends from:				
- available-for-sale securities unquoted in Malaysia	-	392	521	409
- subsidiaries	-	-	230	-
- an associate	-	14,752	211,141	14,752
	5,395	17,184	209,318	35,942
<u>Other income</u>				
Foreign exchange gain/(loss)				
- realised	90,569	69,004	214,573	78,972
- unrealised	(49,224)	(9,334)	(126,852)	7,585
Rental income from operating leases, other than those from investment properties	-	18	19	37
Gain/(loss) on disposal of property, plant and equipment	11	(5)	(145)	(8)
Other operating income	1,242	1,221	2,403	2,299
Others	3,076	4,684	6,270	9,510
	45,674	65,588	96,268	98,395
	177,082	206,551	558,503	367,107

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EXPLANATORY NOTES**26. OTHER OPERATING EXPENSES**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
Personnel expenses	157,429	128,439	303,193	249,016
Establishment related expenses	43,937	36,494	75,137	65,173
Promotion and marketing related expenses	16,190	9,078	26,864	20,232
General administrative expenses	33,611	24,513	61,689	48,237
	251,167	198,524	466,883	382,658
<u>Personnel expenses</u>				
Wages, salaries and bonus	122,287	98,857	238,561	195,747
Defined contribution plan	18,965	16,851	37,025	32,100
Other employee benefits	16,177	12,731	27,607	21,169
	157,429	128,439	303,193	249,016
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	8,652	8,352	17,116	16,898
Hire of equipment	15	19	26	42
Information technology costs	4,045	3,165	7,429	5,650
Repair and maintenance	5,002	4,271	8,217	8,148
Rental of premises	3,255	3,158	6,587	6,855
Others	22,968	17,529	35,762	27,580
	43,937	36,494	75,137	65,173
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	7,670	4,967	13,630	12,301
Others	8,520	4,111	13,234	7,931
	16,190	9,078	26,864	20,232
<u>General administrative expenses</u>				
Fees and commissions paid	11,621	11,640	23,032	22,511
Others	21,990	12,873	38,657	25,726
	33,611	24,513	61,689	48,237

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

	Second Quarter Ended		Six Months Ended	
	30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
Bank				
Personnel expenses	156,561	127,731	301,528	247,508
Establishment related expenses	47,488	39,950	81,317	71,929
Promotion and marketing related expenses	16,173	9,354	26,835	20,246
General administrative expenses	33,612	24,537	61,641	48,253
	253,834	201,572	471,321	387,936
<u>Personnel expenses</u>				
Wages, salaries and bonus	121,529	98,328	237,096	194,547
Defined contribution plan	18,855	16,760	36,813	31,909
Other employee benefits	16,177	12,643	27,619	21,052
	156,561	127,731	301,528	247,508
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	7,116	6,764	14,052	13,722
Hire of equipment	15	20	26	42
Information technology costs	4,045	3,165	7,429	5,622
Repair and maintenance	5,033	4,296	8,418	8,249
Rental of premises	7,557	7,671	14,920	15,875
Others	23,722	18,034	36,472	28,419
	47,488	39,950	81,317	71,929
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	7,668	4,968	13,628	12,299
Others	8,505	4,386	13,207	7,947
	16,173	9,354	26,835	20,246
<u>General administrative expenses</u>				
Fees and commissions paid	11,628	11,673	22,998	22,542
Others	21,984	12,864	38,643	25,711
	33,612	24,537	61,641	48,253

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

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and advances				
(a) Individual impairment				
- made in the financial period	47,779	81,381	95,311	130,261
- written back in the financial period	(23,045)	(59,424)	(46,355)	(98,037)
(b) Collective impairment				
- made in the period	36,339	55,553	66,107	60,809
Impaired loans and advances				
- written off/(back)	981	939	2,687	(1,911)
- recovered	(10,237)	(11,889)	(23,211)	(24,162)
	51,817	66,560	94,539	66,960

Bank	Second Quarter Ended		Six Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and advances				
(a) Individual impairment				
- made in the financial period	47,779	81,381	95,311	130,261
- written back in the financial period	(23,045)	(59,424)	(46,355)	(98,037)
(b) Collective impairment				
- made in the period	36,339	55,553	66,107	60,809
Impaired loans and advances				
- written off/(back)	981	939	2,687	(1,911)
- recovered	(10,237)	(11,889)	(23,211)	(24,162)
	51,817	66,560	94,539	66,960

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EXPLANATORY NOTES**28. 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	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits - audited	4,563,057	4,910,252	4,459,689	4,806,883
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	202,547	113,793	83,480	(5,274)
Regulatory adjustments applied in the calculation of CET1 Capital	(401,775)	(343,300)	(285,048)	(226,563)
Total CET1/Tier 1 Capital	5,626,384	5,943,300	5,520,676	5,837,601
<u>Tier 2 Capital</u>				
Tier 2 capital instruments	900,000	950,000	900,000	950,000
Loan/financing loss provision - Surplus eligible provisions over expected losses	197,398	193,348	202,686	198,014
- Collective impairment provisions	35,347	34,322	30,059	29,656
Regulatory adjustments applied in the calculation of Tier 2 Capital	(42,274)	(66,219)	(95,822)	(119,778)
Total Tier 2 Capital	1,090,471	1,111,451	1,036,923	1,057,892
Total capital	6,716,855	7,054,751	6,557,599	6,895,493

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EXPLANATORY NOTES**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-14	31-Dec-13	30-Jun-14	31-Dec-13
CET1/Tier 1 Capital	13.441%	14.980%	13.269%	14.801%
Total Capital	16.046%	17.781%	15.762%	17.483%

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

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	36,789,120	35,082,686	36,534,314	34,848,132
Total RWA for market risk	963,792	676,592	963,792	676,592
Total RWA for operational risk	4,106,744	3,916,707	4,106,744	3,916,707
	41,859,656	39,675,985	41,604,850	39,441,431

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EXPLANATORY NOTES**29. 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		Risk Weighted Amount RM'000
	Principal Amount RM'000	Credit Equivalent Amount RM'000	
As at 30 June 2014			
Direct credit substitutes	2,274,751	2,274,751	1,628,998
Transaction-related contingent items	3,664,199	1,810,624	1,023,508
Short-term self-liquidating trade-related contingencies	318,947	76,474	47,028
Foreign exchange related contracts			
- less than one year	16,028,748	260,844	72,933
- more than one year to less than five years	397,230	38,060	38,060
Interest rate related contracts			
- less than one year	5,010,542	20,631	7,478
- more than one year to less than five years	13,978,599	493,405	267,827
- five years and above	260,436	20,178	14,487
Equity related contracts			
- less than one year	800,504	36,786	17,429
- more than one year to less than five years	211,794	9,158	3,451
Commodity related contracts			
- less than one year	67,179	7,396	5,597
Undrawn credit facility			
- less than one year	8,787,477	593,037	136,225
- more than one year	2,690,137	872,093	788,818
- unconditionally cancellable	7,226,079	2,084,140	258,627
Total	61,716,622	8,597,577	4,310,466

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EXPLANATORY NOTES**29. COMMITMENTS AND CONTINGENCIES (con'td.)**

	Group and Bank		Risk Weighted Amount RM'000
	Principal Amount RM'000	Credit Equivalent Amount RM'000	
As at 31 December 2013			
Direct credit substitutes	2,438,929	2,438,883	1,742,235
Transaction-related contingent items	3,422,435	1,690,834	1,165,257
Short-term self-liquidating trade-related contingencies	287,869	74,871	39,893
Foreign exchange related contracts			
- less than one year	13,190,156	304,352	111,503
- more than one year to less than five years	366,997	53,343	53,343
Interest rate related contracts			
- less than one year	2,985,298	14,802	11,969
- more than one year to less than five years	14,146,871	542,114	310,408
- five years and above	341,234	29,264	25,922
Equity related contracts			
- less than one year	653,281	26,001	10,033
- more than one year to less than five years	33,320	2,489	683
Undrawn credit facility			
- less than one year	8,154,523	598,899	136,404
- more than one year	707,051	558,416	509,399
- unconditionally cancellable	7,414,260	2,023,651	268,720
Total	54,142,224	8,357,919	4,385,769

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.

The Bank had implemented the Basel II - Risk-weighted Assets framework effective from June 2010.

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30. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Bank	
	30-Jun-14	31-Dec-13
Outstanding credit exposures with connected parties (RM'000)	<u>429,982</u>	<u>195,872</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>0.660%</u>	<u>0.313%</u>
Percentage of outstanding credit exposures to connected parties which is impaired or in default	<u>0.000%</u>	<u>0.000%</u>

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

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31. PERFORMANCE REVIEW

The Group recorded a pre-tax profit of RM695.5 million for the half year ended 30 Jun 2014, an increase of RM22.2 million as compared to the corresponding period last year. The better performance was mainly on the back of higher total income, lower impairment loss on AFS securities and higher share of net profit of associates; but partially offset by higher other operating expenses and higher allowance for impairment on loans and advances.

Net interest income grew by RM89.6 million or 11.8% to RM847.1 million mainly driven by loans growth. Other operating income reduced by RM5.2 million or 1.5% to RM347.1 million mainly contributed by lower trading and investment income but moderated by higher fee income.

Total operating expenses increased by RM84.2 million or 22.0% to RM466.9 million as we continued investing in our people and infrastructure to support business growth. Expense to income ratio stood at 39.1%.

Allowance for impairment on loans and advances increased by RM27.6 million or 41.2% to RM94.5 million from higher individual impairment and collective impairment. There are a few cases of new non-performing loans but these are not seen to be reflective of overall portfolio strength. Asset quality remained healthy with the net non-performing loans ratio at 1.3%.

Gross loans increased by RM2.3 billion or 3.6% to RM64.6 billion as at 30 June 2014 while non bank deposits increased by RM0.4 billion or 0.5% to RM69.7 billion.

32. PROSPECTS FOR 2014

The global economy is expected to continue its recovery, with moderate expansion of economic activity in the advanced economies. This is supporting growth in Asia while domestic demand continue to expand.

For the Malaysian economy, favourable conditions are supporting domestic demand and boosting exports as well as investment activities by the private sector. The new level of Overnight Policy Rate (OPR), as announced by Bank Negara Malaysia on 10 July 2014, is not expected to significantly impact the economy.

The Group will continue to look for opportunities to strengthen its product and fee generating capabilities to provide relevant solutions to customers.

The Group continues to be cautiously optimistic to achieve a satisfactory result in 2014.