

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2018**

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 2018**

	Notes	Group		Bank	
		30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
<b>ASSETS</b>					
Cash and short-term funds	11	<b>4,345,592</b>	8,438,916	<b>4,345,592</b>	8,438,916
Securities purchased under resale agreements		<b>2,856,467</b>	1,079,420	<b>2,856,467</b>	1,079,420
Deposits and placements with financial institutions	12	<b>1,250,000</b>	150,000	<b>1,250,000</b>	150,000
Financial assets at fair value through profit or loss ("FVTPL")	13	<b>2,457,627</b>	229,455	<b>2,457,627</b>	229,455
Available-for-sale ("AFS") securities	14	-	11,009,527	-	11,009,527
Debt instruments at fair value through other comprehensive income ("FVOCI")	15	<b>16,178,009</b>	-	<b>16,178,009</b>	-
Equity instruments at fair value through other comprehensive income ("FVOCI")	16	<b>113,361</b>	-	<b>113,361</b>	-
Loans, advances and financing	17	<b>79,322,441</b>	77,561,301	<b>79,444,416</b>	77,675,030
Derivative financial assets	18	<b>620,861</b>	592,160	<b>620,861</b>	592,160
Other assets	19	<b>486,712</b>	483,839	<b>486,874</b>	487,326
Statutory deposits with Bank Negara Malaysia		<b>2,042,539</b>	1,802,204	<b>2,042,539</b>	1,802,204
Investment in subsidiaries		-	-	<b>145,030</b>	120,040
Investment in an associate		<b>9,966</b>	9,854	<b>13,522</b>	13,522
Property, plant and equipment		<b>605,370</b>	561,281	<b>241,110</b>	239,757
Deferred tax assets		<b>29,322</b>	88,336	<b>29,322</b>	88,336
<b>Total assets</b>		<b>110,318,267</b>	102,006,293	<b>110,224,730</b>	101,925,693
<b>LIABILITIES</b>					
Deposits from customers	20	<b>87,788,998</b>	83,388,785	<b>87,792,965</b>	83,404,659
Deposits and placements of banks and other financial institutions	21	<b>8,201,841</b>	4,401,690	<b>8,201,873</b>	4,401,720
Obligations on securities sold under repurchase agreements		<b>19,497</b>	-	<b>19,497</b>	-
Bills and acceptances payable		<b>437,120</b>	232,173	<b>437,120</b>	232,173
Derivative financial liabilities	18	<b>464,176</b>	601,266	<b>464,176</b>	601,266
Other liabilities	22	<b>2,350,418</b>	2,437,909	<b>2,349,023</b>	2,436,024
Tax payable		<b>100,811</b>	126,506	<b>99,460</b>	125,433
Deferred tax liabilities		<b>13,758</b>	13,758	-	-
Subordinated bonds	23	<b>1,501,856</b>	1,502,702	<b>1,501,856</b>	1,502,702
<b>Total liabilities</b>		<b>100,878,475</b>	92,704,789	<b>100,865,970</b>	92,703,977

Company No. 271809K

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)**

**AS AT 30 JUNE 2018**

		<b>Group</b>		<b>Bank</b>	
	<b>Notes</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>					
Share capital		<b>792,555</b>	792,555	<b>792,555</b>	792,555
Reserves		<b>8,647,237</b>	8,508,949	<b>8,566,205</b>	8,429,161
<b>Total equity</b>		<b>9,439,792</b>	9,301,504	<b>9,358,760</b>	9,221,716
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>110,318,267</b>	102,006,293	<b>110,224,730</b>	101,925,693
<b>Commitments and contingencies</b>	33	<b>100,082,014</b>	97,541,595	<b>99,687,833</b>	97,110,150

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 2017.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

Group	Notes	Second Quarter Ended		Six Months Ended	
		30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Operating revenue	25	<b>1,466,766</b>	1,373,735	<b>2,900,184</b>	2,724,262
Interest income	26	<b>1,242,745</b>	1,174,529	<b>2,422,308</b>	2,322,796
Interest expense	27	<b>(732,653)</b>	(661,258)	<b>(1,414,788)</b>	(1,310,820)
Net interest income		<b>510,092</b>	513,271	<b>1,007,520</b>	1,011,976
Net income from Islamic					
Banking operations	37	<b>9,373</b>	5,229	<b>18,230</b>	8,975
Other operating income	28	<b>201,871</b>	193,638	<b>440,679</b>	393,141
Operating income		<b>721,336</b>	712,138	<b>1,466,429</b>	1,414,092
Other operating expenses	29	<b>(277,786)</b>	(262,354)	<b>(551,334)</b>	(505,472)
Operating profit before allowance for expected credit losses/impairment		<b>443,550</b>	449,784	<b>915,095</b>	908,620
Allowance for expected credit losses/ impairment on:					
Loans, advances and financing	30	<b>(41,807)</b>	(27,706)	<b>(66,447)</b>	(103,625)
Other financial assets	30	<b>4,948</b>	-	<b>174</b>	-
Commitments and contingencies	30	<b>933</b>	(2,832)	<b>(9,115)</b>	(1,940)
		<b>407,624</b>	419,246	<b>839,707</b>	803,055
Share of net profit of an associate		<b>58</b>	56	<b>112</b>	112
Profit before taxation		<b>407,682</b>	419,302	<b>839,819</b>	803,167
Income tax expense		<b>(98,379)</b>	(102,564)	<b>(205,444)</b>	(194,842)
Profit for the period attributable to equity holders of the Bank		<b>309,303</b>	316,738	<b>634,375</b>	608,325
Basic/diluted earnings per share (sen)		<b>65.8</b>	67.4	<b>135.0</b>	129.4

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 2017.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED INCOME STATEMENTS (cont'd.)  
FOR THE PERIOD ENDED 30 JUNE 2018**

<b>Bank</b>	<b>Notes</b>	<b>Second Quarter</b>		<b>Six Months</b>	
		<b>Ended</b>		<b>Ended</b>	
		<b>30-Jun-18</b>	30-Jun-17	<b>30-Jun-18</b>	30-Jun-17
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Operating revenue	25	<b>1,468,175</b>	1,375,666	<b>2,902,845</b>	2,730,053
Interest income	26	<b>1,244,111</b>	1,176,497	<b>2,424,887</b>	2,326,743
Interest expense	27	<b>(732,661)</b>	(661,270)	<b>(1,414,823)</b>	(1,310,850)
Net interest income		<b>511,450</b>	515,227	<b>1,010,064</b>	1,015,893
Net income from Islamic					
Banking operations	37	<b>9,373</b>	5,229	<b>18,230</b>	8,975
Other operating income	28	<b>201,914</b>	193,601	<b>440,761</b>	394,981
Operating income		<b>722,737</b>	714,057	<b>1,469,055</b>	1,419,849
Other operating expenses	29	<b>(280,130)</b>	(264,703)	<b>(555,591)</b>	(509,789)
Operating profit before allowance for expected credit losses/impairment		<b>442,607</b>	449,354	<b>913,464</b>	910,060
Allowance for expected credit losses/ impairment on:					
Loans, advances and financing	30	<b>(41,835)</b>	(27,676)	<b>(66,703)</b>	(103,576)
Other financial assets	30	<b>4,948</b>	-	<b>174</b>	-
Commitments and contingencies	30	<b>933</b>	(2,832)	<b>(9,115)</b>	(1,940)
Profit before taxation		<b>406,653</b>	418,846	<b>837,820</b>	804,544
Income tax expense		<b>(97,984)</b>	(102,098)	<b>(204,689)</b>	(194,016)
Profit for the period attributable to equity holders of the Bank		<b>308,669</b>	316,748	<b>633,131</b>	610,528
Basic/diluted earnings per share (sen)		<b>65.7</b>	67.4	<b>134.7</b>	129.9

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 2017.

Company No. 271809K

**UNITED OVERSEAS BANK (MALAYSIA) BHD**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Profit for the period	309,303	316,738	634,375	608,325
<b>Other comprehensive (loss)/income</b>				
<u>Items that will be reclassified to income statements:</u>				
Net fair value changes in AFS securities	-	51,717	-	60,324
Net fair value changes in debt instruments at fair value through other comprehensive income	(41,263)	-	(18,302)	-
Income tax effect	9,903	(12,412)	4,392	(14,478)
	<b>(31,360)</b>	39,305	<b>(13,910)</b>	45,846
<u>Items that will not be reclassified to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	(26,915)	-	(27,155)	-
Income tax effect	6,460	-	6,518	-
	<b>(20,455)</b>	-	<b>(20,637)</b>	-
Total other comprehensive (loss)/income for the period, net of tax	<b>(51,815)</b>	39,305	<b>(34,547)</b>	45,846
Total comprehensive income for the period attributable to equity holders of the Bank	<b>257,488</b>	356,043	<b>599,828</b>	654,171

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 2017.

Company No. 271809K

**UNITED OVERSEAS BANK (MALAYSIA) BHD**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

<b>Bank</b>	<b>Second Quarter</b>		<b>Six Months</b>	
	<b>Ended</b>		<b>Ended</b>	
	<b>30-Jun-18</b>	<b>30-Jun-17</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the period	<b>308,669</b>	316,748	<b>633,131</b>	610,528
<b>Other comprehensive (loss)/income</b>				
<u>Items that will be reclassified to</u> <u>income statements:</u>				
Net fair value changes in AFS securities	-	51,717	-	60,324
Net fair value changes in debt instruments at fair value through other comprehensive income	<b>(18,302)</b>	-	<b>(18,302)</b>	-
Income tax effect	<b>9,903</b>	(12,412)	<b>4,392</b>	(14,478)
	<b>(8,399)</b>	39,305	<b>(13,910)</b>	45,846
<u>Items that will not be reclassified to</u> <u>income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	<b>(26,915)</b>	-	<b>(27,155)</b>	-
Income tax effect	<b>6,460</b>	-	<b>6,518</b>	-
	<b>(20,455)</b>	-	<b>(20,637)</b>	-
Total other comprehensive (loss)/income for the period, net of tax	<b>(28,854)</b>	39,305	<b>(34,547)</b>	45,846
Total comprehensive income for the period attributable to equity holders of the Bank	<b>279,815</b>	356,053	<b>598,584</b>	656,374

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 2017.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018**

GROUP	Non-distributable		Distributable		Total	
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Net unrealised reserves on AFS securities		Retained profits
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2018</b>						
At 1 January 2018						
As previously stated	792,555	146,736	-	101,037	8,261,176	9,301,504
Effect of adopting MFRS 9 Financial Instruments	-	-	101,037	(101,037)	-	-
At 1 January 2018, as restated	792,555	146,736	101,037	-	8,261,176	9,301,504
Profit for the period	-	-	-	-	634,375	634,375
Other comprehensive loss for the period	-	-	(34,547)	-	-	(34,547)
Total comprehensive (loss)/income for the period	-	-	(34,547)	-	634,375	599,828
Transactions with owners:						
Dividends paid:						
- final dividend for the financial year ended 31 December 2017	-	-	-	-	(461,540)	(461,540)
At 30 June 2018	792,555	146,736	66,490	-	8,434,011	9,439,792

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 2017.



**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)  
FOR THE PERIOD ENDED 30 JUNE 2018**

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018**

<b>BANK</b>	←	Non-distributable	→	Distributable	
	Share capital	Fair value through other comprehensive income reserve	Net unrealised reserves on AFS securities	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2018</b>					
At 1 January 2018					
As previously stated	792,555	-	94,135	8,335,026	9,221,716
Effect of adopting MFRS 9 Financial Instruments	-	94,135	(94,135)	-	-
At 1 January 2018, as restated	792,555	94,135	-	8,335,026	9,221,716
Profit for the period	-	-	-	633,131	633,131
Other comprehensive loss for the period	-	(34,547)	-	-	(34,547)
Total comprehensive (loss)/income for the period	-	(34,547)	-	633,131	598,584
Transactions with owners:					
Dividends paid:					
- final dividend for the financial year ended 31 December 2017	-	-	-	(461,540)	(461,540)
At 30 June 2018	792,555	59,588	-	8,506,617	9,358,760

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 2017.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)****FOR THE PERIOD ENDED 30 JUNE 2018**

<b>BANK (cont'd.)</b>	← 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
<b>2017</b>						
At 1 January 2017	470,000	322,555	470,000	50,127	7,097,119	8,409,801
Profit for the period	-	-	-	-	610,528	610,528
Other comprehensive income for the period	-	-	-	45,846	-	45,846
Total comprehensive income for the period	-	-	-	45,846	610,528	656,374
Transactions with owners/other equity movements:						
Transfer pursuant to Companies Act 2016	322,555	(322,555)	-	-	-	-
Transfer to retained earnings	-	-	(470,000)	-	470,000	-
Dividends paid:						
- final dividend for the financial year ended 31 December 2016	-	-	-	-	(385,870)	(385,870)
At 30 June 2017	792,555	-	-	95,973	7,791,777	8,680,305

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b> <b>RM'000</b>	<b>30-Jun-17</b> <b>RM'000</b>	<b>30-Jun-18</b> <b>RM'000</b>	<b>30-Jun-17</b> <b>RM'000</b>
Profit before taxation	<b>839,819</b>	803,167	<b>837,820</b>	804,544
Adjustments for non-operating and non-cash items	<b>(78,434)</b>	79,837	<b>(160,616)</b>	73,794
Operating profit before working capital changes	<b>761,385</b>	883,004	<b>677,204</b>	878,338
Changes in working capital:				
Net changes in operating assets	<b>(6,290,127)</b>	(3,494,553)	<b>(6,217,318)</b>	(3,493,692)
Net changes in operating liabilities	<b>8,342,407</b>	4,151,856	<b>8,330,992</b>	4,150,767
Tax expense paid	<b>(161,214)</b>	(173,393)	<b>(160,737)</b>	(172,041)
Net cash generated from operating activities	<b>2,652,451</b>	1,366,914	<b>2,630,141</b>	1,363,372
Net cash used in investing activities	<b>(5,183,388)</b>	(4,433,674)	<b>(5,161,076)</b>	(4,430,132)
Net cash used in financing activities	<b>(462,387)</b>	(385,151)	<b>(462,389)</b>	(385,151)
Net decrease in cash and cash equivalents	<b>(2,993,324)</b>	(3,451,911)	<b>(2,993,324)</b>	(3,451,911)
Cash and cash equivalents at beginning of the period	<b>8,588,916</b>	12,394,840	<b>8,588,916</b>	12,394,840
Cash and cash equivalents at end of the period	<b>5,595,592</b>	8,942,929	<b>5,595,592</b>	8,942,929
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>4,345,592</b>	7,442,929	<b>4,345,592</b>	7,442,929
Deposits and placements with financial institutions	<b>1,250,000</b>	1,500,000	<b>1,250,000</b>	1,500,000
	<b>5,595,592</b>	8,942,929	<b>5,595,592</b>	8,942,929

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 2017.

**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 2017. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial positions and performance of the Group and the Bank since the financial year ended 31 December 2017.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2017, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2018:

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)  
MFRS 15 Revenue from Contracts with Customers  
Annual Improvements to MFRS Standards 2014–2016 Cycle  
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions  
Clarifications to MFRS 15  
Amendments to MFRS 140 Transfers of Investment Property  
IC Interpretation 22 Foreign Currency Transaction and Advance Consideration  
Amendment to MFRS 4 Insurance Contracts

The adoption of MFRS 9 *Financial Instruments* resulted in change in accounting policies and adjustments to the amounts previously recognised in the financial statements. As permitted by the transitional provisions of MFRS 9 *Financial Instruments*, the Group and the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of adoption were recognised directly in retained profits as of 1 January 2018.

The accounting policies that relates to recognition and derecognition, classification and measurements of financial instruments and impairment of financial assets were amended to comply with MFRS 9 *Financial Instruments*. The hedge accounting requirements under MFRS 9 *Financial Instruments* has minimal impact to the Group and to the Bank as the standard allow the Group and the Bank to continue applying its existing practice for hedge accounting.

Set out below are disclosures relating to the impact of the adoption of MFRS 9 *Financial Instruments* to the Group and the Bank.

**(a) Changes in accounting policies**

Financial assets - Classification and measurements

Financial assets are classified as follows:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit and loss, inclusive of held of trading, designated and mandatory ("FVTPL")

The classification and measurements of the financial assets depend on the Group's and Bank's business models and contractual cash flow characteristics of the financial assets. Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows which represent solely payments of principal and interest/profit. Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets which are neither held at amortised cost nor at FVOCI will be measured at FVTPL. The following summaries the key changes:

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**EXPLANATORY NOTES**

**1. BASIS OF PREPARATION (cont'd.)**

**(a) Changes in accounting policies (cont'd.)**

- i) Available-for-sales and loans and receivables for financial assets categories were removed.
- ii) New classification categories were introduced:
  - a) FVOCI applies to debt instruments with contractual cash flow characteristic that is solely payments of principal and interest/profit and business models whose objective are to both collect contractual cash flows and selling of financial assets.
  - b) Amortised cost applies to debt instruments with contractual cash flow characteristic that are solely payments of principal and interest/profit and business models whose objective are to hold to collect contractual cash flows.

There is no impact on the classification and measurement of the Group's and the Bank's financial liabilities

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (with recycling) and certain loan and financing commitments as well as financial guarantee contracts. The allowance for impairment is based on the expected credit losses ("ECL") associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the expected life of the asset.

The Group and the Bank have grouped their financial assets which are subject to credit risk into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1:  
Performing loans/financing: When loans and financing are first recognised, the Bank recognises an allowance based on 12 month expected credit loss.
- Stage 2:  
Underperforming loans/financing: When loans and financing show significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.
- Stage 3:  
Impaired loans/financing: the Bank recognises the lifetime expected credit losses for these impaired loans and financing with 100% probability of default.

Hedge accounting

The Group and the Bank applied hedge accounting prospectively. At the date of the initial application, all of the Group's and the Bank's existing hedge relationships were eligible to be treated as continuing hedging relationship, as such, the adoption of the hedge accounting requirements of MFRS 9 had no significant impact on the Group's and the Bank's financial statements.

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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(b) Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities of the Group and of the Bank in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 9 *Financial Instruments* as at 1 January 2018:

Group	Note	Measurement category		Carrying amount as at 1 January 2018	
		Old (MFRS 139)	New (MFRS 9)	Old (MFRS 139) RM'000	New (MFRS 9) RM'000
<b>Financial assets</b>					
Cash and short term funds	1	Loans and receivables	Amortised cost	8,438,916	8,402,901
Securities purchased under resale agreement	1	Loans and receivables	Amortised cost	1,079,420	1,079,420
Deposits and placements with financial institutions	1	Loans and receivables	Amortised cost	150,000	150,000
Loans, advances and financing	1	Loans and receivables	Amortised cost	77,561,301	77,696,806
Statutory deposits with Bank Negara Malaysia	1	Loans and receivables	Amortised cost	1,802,204	1,802,204
Available-for-sales	2	Available for sales	Debt instruments at fair value through other comprehensive income	10,869,011	10,860,679
Available-for-sales	3	Available for sales	Equity instruments at fair value through other comprehensive income	140,516	140,516
Other assets		Loans and receivables	Amortised cost	483,839	480,966
Derivative financial assets		Fair value through profit or loss	Fair value through profit or loss	592,160	592,160
Financial assets at fair value through profit or loss		Fair value through profit or loss	Fair value through profit or loss	229,455	229,455

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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(b) Classification and measurement of financial instruments (cont'd.)**

Group	Note	Measurement category		Carrying amount as at 1 January 2018	
		Old (MFRS 139)	New (MFRS 9)	Old (MFRS 139) RM'000	New (MFRS 9) RM'000
<b>Financial Liabilities</b>					
Deposits from customers		Amortised cost	Amortised cost	83,388,785	83,388,785
Bills and acceptances payable		Amortised cost	Amortised cost	232,173	232,173
Derivative financial liabilities		Fair value through profit or loss	Fair value through profit or loss	601,266	601,266
Other liabilities		Amortised cost	Amortised cost	2,437,909	2,526,194
Subordinated bonds		Amortised cost	Amortised cost	1,502,702	1,502,702
<b>Bank</b>					
<b>Financial assets</b>					
Cash and short term funds	1	Loans and receivables	Amortised cost	8,438,916	8,402,901
Securities purchased under resale agreement	1	Loans and receivables	Amortised cost	1,079,420	1,079,420
Deposits and placements with financial institutions	1	Loans and receivables	Amortised cost	150,000	150,000
Loans, advances and financing	1	Loans and receivables	Amortised cost	77,675,030	77,810,535
Statutory deposits with Bank Negara Malaysia	1	Loans and receivables	Amortised cost	1,802,204	1,802,204
Available-for-sales	2	Available for sales	Debt instruments at fair value through other comprehensive income	10,869,011	10,860,679
Available-for-sales	3	Available for sales	Equity instruments at fair value through other comprehensive income	140,516	140,516



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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(b) Classification and measurement of financial instruments (cont'd.)**

Bank	Measurement category		Carrying amount as at 1 January 2018		
	Note	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
<b>Financial assets (cont'd.)</b>					
Other assets		Loans and receivables	Amortised cost	487,326	484,453
Derivative financial assets		Fair value through profit or loss	Fair value through profit or loss	592,160	592,160
Financial assets at fair value through profit or loss		Fair value through profit or loss	Fair value through profit or loss	229,455	229,455
<b>Financial Liabilities</b>					
Deposits from customers		Amortised cost	Amortised cost	83,404,659	83,404,659
Bills and acceptances payable		Amortised cost	Amortised cost	232,173	232,173
Derivative financial liabilities		Fair value through profit or loss	Fair value through profit or loss	601,266	601,266
Other liabilities		Amortised cost	Amortised cost	2,436,024	2,524,309
Subordinated bonds		Amortised cost	Amortised cost	1,502,702	1,502,702

- 1 Cash and short term funds, securities purchased under resale agreement, deposits and placement with financial institutions, loans, advances and financing and statutory deposits with Bank Negara Malaysia that have previously been measured as loans and receivables are now measured as amortised cost. The Group and the Bank intend to hold these assets to maturity to collect contractual cash flows.
- 2 Debt instruments that were previously classified as available for sales and carried at fair value were assessed to have business models of both collecting contractual cash flows and selling financial assets, and accordingly, are classified as fair value through other comprehensive income (with recycling) under MFRS 9.
- 3 The Group and the Bank have elected to apply fair value through other comprehensive income option for their equity instruments (mainly quoted and unquoted shares) that were previously classified as available for sales. These assets will remain accounted for at fair value through other comprehensive income with no subsequent recycling of realised gains or losses.

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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(c) Reconciliation of Statement of Financial Position balances from MFRS 139 to MFRS 9**

The following tables are reconciliations of the carrying amount of the Group's and of the Bank's statement of financial position from MFRS 139 *Financial Instruments: Recognition and Measurement* to the new measurement categories upon adoption to MFRS 9 *Financial Instruments* as at 1 January 2018:

Group	Old (MFRS 139) Carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount 1 January 2018 RM'000
<b>Financial assets</b>				
<b>Cash and short term funds</b>				
Opening balance under MFRS 139	8,438,916	-	-	8,438,916
Remeasurement: ECL	-	-	(36,015)	(36,015)
Closing balance under MFRS 9	8,438,916	-	(36,015)	8,402,901
<b>Loans, advances and financing</b>				
Opening balance under MFRS 139	77,561,301	-	-	77,561,301
Remeasurement: ECL	-	-	135,505	135,505
Closing balance under MFRS 9	77,561,301	-	135,505	77,696,806
<b>Available-for-sale ("AFS")</b>				
Opening balance under MFRS 139	11,009,527	-	-	-
To debt instruments at FVOCI	-	(10,869,011)	-	-
To equity instruments at FVOCI	-	(140,516)	-	-
Closing balance under MFRS 9	11,009,527	(11,009,527)	-	-
<b>Debt instruments at fair value through other comprehensive income ("FVOCI")</b>				
Opening balance under MFRS 139	-	-	-	-
From AFS	-	10,869,011	-	10,869,011
Remeasurement: ECL	-	-	(8,332)	(8,332)
Closing balance under MFRS 9	-	10,869,011	(8,332)	10,860,679
<b>Equity instruments at fair value through other comprehensive income option ("FVOCI")</b>				
Opening balance under MFRS 139	-	-	-	-
From AFS	-	140,516	-	140,516
Closing balance under MFRS 9	-	140,516	-	140,516

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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(c) Reconciliation of Statement of Financial Position balances from MFRS 139 to MFRS 9 (cont'd.)**

Group	Old (MFRS 139)	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9)
	Carrying amount 31 December 2017 RM'000			Carrying amount 1 January 2018 RM'000
<b>Financial assets (con'td.)</b>				
<b>Other assets</b>				
Opening balance under MFRS 139	483,839	-	-	483,839
Remeasurement: ECL	-	-	(2,873)	(2,873)
Closing balance under MFRS 9	483,839	-	(2,873)	480,966
<b>Total changes to financial assets balance</b>	100,525,207	-	88,285	100,613,492
<b>Financial liabilities</b>				
<b>Other liabilities</b>				
Opening balance under MFRS 139	2,437,909	-	-	2,437,909
Remeasurement: ECL	-	-	88,285	88,285
Closing balance under MFRS 9	2,437,909	-	88,285	2,526,194
<b>Total change to financial liabilities balance</b>	2,437,909	-	88,285	2,526,194
<b>Reserves and retained profits</b>				
<b>AFS reserve</b>				
Opening balance under MFRS 139	101,037	-	-	-
To FVOCI reserve - debt instruments	-	3,128	-	-
To FVOCI reserve - equity instruments	-	(104,165)	-	-
Closing balance under MFRS 9	101,037	(101,037)	-	-
<b>FVOCI reserve - Debt instruments</b>				
Opening balance under MFRS 139	-	-	-	-
From AFS reserve	-	(3,128)	-	(3,128)
Closing balance under MFRS 9	-	(3,128)	-	(3,128)
<b>FVOCI reserve - Equity instruments</b>				
Opening balance under MFRS 139	-	-	-	-
From AFS reserve	-	104,165	-	104,165
Closing balance under MFRS 9	-	104,165	-	104,165
<b>Retained profits</b>				
Opening balance under MFRS 139 and closing balance under MFRS 9	8,261,176	-	-	8,261,176
<b>Total change to reserve and retained profits</b>	8,362,213	-	-	8,362,213

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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(c) Reconciliation of Statement of Financial Position balances from MFRS 139 to MFRS 9 (cont'd.)**

<b>Bank</b>	<b>Old (MFRS 139) Carrying amount 31 December 2017 RM'000</b>	<b>Reclassification RM'000</b>	<b>Remeasurement RM'000</b>	<b>New (MFRS 9) Carrying amount 1 January 2018 RM'000</b>
<b>Financial assets</b>				
<b>Cash and short term funds</b>				
Opening balance under MFRS 139	8,438,916	-	-	8,438,916
Remeasurement: ECL	-	-	(36,015)	(36,015)
Closing balance under MFRS 9	8,438,916	-	(36,015)	8,402,901
<b>Loans, advances and financing</b>				
Opening balance under MFRS 139	77,675,030	-	-	77,675,030
Remeasurement: ECL	-	-	135,505	135,505
Closing balance under MFRS 9	77,675,030	-	135,505	77,810,535
<b>Available-for-sale ("AFS")</b>				
Opening balance under MFRS 139	11,009,527	-	-	-
To debt instruments at FVOCI	-	(10,869,011)	-	-
To equity instruments at FVOCI	-	(140,516)	-	-
Closing balance under MFRS 9	11,009,527	(11,009,527)	-	-
<b>Debt instruments at fair value through other comprehensive income ("FVOCI")</b>				
Opening balance under MFRS 139	-	-	-	-
From AFS	-	10,869,011	-	10,869,011
Remeasurement: ECL	-	-	(8,332)	(8,332)
Closing balance under MFRS 9	-	10,869,011	(8,332)	10,860,679
<b>Equity instruments at fair value through other comprehensive income option ("FVOCI")</b>				
Opening balance under MFRS 139	-	-	-	-
From AFS	-	140,516	-	140,516
Closing balance under MFRS 9	-	140,516	-	140,516
<b>Other assets</b>				
Opening balance under MFRS 139	487,326	-	-	487,326
Remeasurement: ECL	-	-	(2,873)	(2,873)
Closing balance under MFRS 9	487,326	-	(2,873)	484,453
<b>Total changes to financial assets balance</b>	<b>100,642,423</b>	<b>-</b>	<b>88,285</b>	<b>100,730,708</b>

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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(c) Reconciliation of Statement of Financial Position balances from MFRS 139 to MFRS 9 (cont'd.)**

<b>Bank</b>	<b>Old (MFRS 139) Carrying amount 31 December 2017 RM'000</b>	<b>Reclassification RM'000</b>	<b>Remeasurement RM'000</b>	<b>New (MFRS 9) Carrying amount 1 January 2018 RM'000</b>
<b>Financial liabilities</b>				
<b>Other liabilities</b>				
Opening balance under MFRS 139	2,436,024	-	-	2,436,024
Remeasurement: ECL	-	-	88,285	88,285
Closing balance under MFRS 9	2,436,024	-	88,285	2,524,309
<b>Total change to financial liabilities balance</b>	<b>2,436,024</b>	<b>-</b>	<b>88,285</b>	<b>2,524,309</b>
<b>Reserves and retained profits</b>				
<b>AFS reserve</b>				
Opening balance under MFRS 139	94,135	-	-	-
To FVOCI reserve - debt instruments	-	3,128	-	-
To FVOCI reserve - equity instruments	-	(97,263)	-	-
Closing balance under MFRS 9	94,135	(94,135)	-	-
<b>FVOCI reserve - Debt instruments</b>				
Opening balance under MFRS 139	-	-	-	-
From AFS reserve	-	(3,128)	-	(3,128)
Closing balance under MFRS 9	-	(3,128)	-	(3,128)
<b>FVOCI reserve - Equity instruments</b>				
Opening balance under MFRS 139	-	-	-	-
From AFS reserve	-	97,263	-	97,263
Closing balance under MFRS 9	-	97,263	-	97,263
<b>Retained profits</b>				
Opening balance under MFRS 139 and closing balance under MFRS 9	8,335,026	-	-	8,335,026
<b>Total change to reserve and retained profits</b>	<b>8,429,161</b>	<b>-</b>	<b>-</b>	<b>8,429,161</b>

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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(d) Loss/impairment allowance balance from MFRS 139 to MFRS 9**

The following table reconciles the aggregate opening loss/impairment allowance on loans, advances and financing and debts instruments of the Group and of the Bank under MFRS 139 *Financial Instruments: Recognition and Measurement* and provision for loan commitments and financial guarantee contracts in accordance with *MFRS 137 Provisions, Contingent Liabilities and Contingent Assets* to the allowance for ECL under MFRS 9 *Financial instruments*.

<b>Group</b>	<b>Allowance for impairment under under MFRS 139 RM'000</b>	<b>Remeasurement, net RM'000</b>	<b>ECL allowance under MFRS 9 RM'000</b>
<b>Loans and receivables (MFRS 139)/Financial assets at amortised cost (MFRS 9)</b>			
Cash and short-term funds	-	36,015	36,015
Loans, advances and financing	1,538,092	(135,505)	1,402,587
Other receivables	-	2,873	2,873
<b>Available for sales (MFRS 139)/Debt instruments at FVOCI (MFRS 9)</b>			
Investment securities	39,960	8,332	48,292
<b>Commitments and contingencies</b>	<b>17,111</b>	<b>88,285</b>	<b>105,396</b>
<b>Total</b>	<b>1,595,163</b>	<b>-</b>	<b>1,595,163</b>

<b>Bank</b>	<b>Allowance for impairment under under MFRS 139 RM'000</b>	<b>Remeasurement, net RM'000</b>	<b>ECL allowance under MFRS 9 RM'000</b>
<b>Loans and receivables (MFRS 139)/Financial assets at amortised cost (MFRS 9)</b>			
Cash and short-term funds	-	36,015	36,015
Loans, advances and financing	1,539,000	(135,505)	1,403,495
Other receivables	-	2,873	2,873
<b>Available for sales (MFRS 139)/Debt instruments at FVOCI (MFRS 9)</b>			
Investment securities	39,960	8,332	48,292
<b>Commitments and contingencies</b>	<b>17,111</b>	<b>88,285</b>	<b>105,396</b>
<b>Total</b>	<b>1,596,071</b>	<b>-</b>	<b>1,596,071</b>

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**EXPLANATORY NOTES**

**1. BASIS OF PREPARATION (cont'd.)**

The Group and the Bank have not adopted the following MFRS, Amendments to MFRS and Interpretation Committee ("IC") Interpretations that have been issued by the MASB as they are not yet effective:

**Effective for financial periods beginning on or after 1 January 2019**

Amendments to MFRS 9 Prepayment Features with Negative Compensation  
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures  
MFRS 16 Leases  
IC Interpretation 23 Uncertainty over Income Tax Treatments  
Annual Improvements to MFRS Standards 2015-2017 Cycle  
Amendments to MFRS 11 (Annual improvements to MFRS Standards 2015-2017 Cycle)  
Amendments to MFRS 119 (Plan Amendment, Curtailment or Settlement)

**Effective for financial periods beginning on or after 1 January 2021**

MFRS 17 Insurance Contracts

**Effective for financial periods to be determined by the MASB**

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

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and the Bank.

**2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

**3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

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

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank for the financial period ended 30 June 2018.

**5. CHANGES IN ESTIMATES**

There were no significant changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 June 2018.

**6. DEBT AND EQUITY SECURITIES**

There were no issuances of shares, share buy-backs and repayment of debt and equity securities during the financial period ended 30 June 2018.

**7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that was brought forward from the previous audited financial statements for the financial year ended 31 December 2017.

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**EXPLANATORY NOTES**

**8. DIVIDENDS**

A final single-tier dividend of 98.2 sen in respect of the financial year ended 31 December 2017 amounting to RM461,540,000 was paid in April 2018.

**9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE**

On 25 July 2018, the Bank issued RM600 million Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years), which bears interest at the rate of 4.80% per annum. The said subordinated bonds were issued out of the RM8 billion Medium Term Notes ("MTN") programme. Part of the proceed from the issuance will be used to redeem the existing RM500 million Bond 1 of the Bank on 30 August 2018.

**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 2018.



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**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	<b>671,320</b>	576,916
Money at call and deposit placements maturing within one month	<b>3,710,150</b>	7,862,000
Less: Allowance for ECL	<b>(35,878)</b>	-
	<b>4,345,592</b>	<b>8,438,916</b>

**12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>700,000</b>	150,000
Bank Negara Malaysia	<b>550,000</b>	-
	<b>1,250,000</b>	<b>150,000</b>

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

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Held-for-trading securities</b>		
<b>At fair value</b>		
Bank Negara Malaysia bills	<b>1,193,545</b>	-
Malaysian Government treasury bills	<b>19,980</b>	29,415
Malaysian Government securities	<b>238,940</b>	-
Private debt securities	<b>10,004</b>	-
Negotiable instruments of deposits	<b>995,158</b>	200,040
	<b>2,457,627</b>	<b>229,455</b>

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**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Money market instruments</b>		
Malaysian Government securities	-	5,379,150
Negotiable instruments of deposits	-	3,850,480
Cagamas bonds	-	1,490,494
	<u>-</u>	<u>10,720,124</u>
<b>Private debt securities of companies incorporated</b>		
In Malaysia		
Quoted corporate bonds	-	188,571
Impairment loss	-	(39,960)
	<u>-</u>	<u>148,611</u>
<b>Quoted securities</b>		
Shares of corporations in Malaysia	-	2,569
	<u>-</u>	<u>2,569</u>
<b>Unquoted securities</b>		
Shares of corporations in Malaysia	-	137,947
	<u>-</u>	<u>137,947</u>
<b>At Cost</b>		
<b>Unquoted securities</b>		
Private debt securities	-	276
	<u>-</u>	<u>276</u>
<b>Total AFS securities</b>	<u>-</u>	<u>11,009,527</u>
<b>Movements in allowance for impairment on private debt securities are as follows:</b>		
Balance as at 1 January/30 June	<u>-</u>	<u>(39,960)</u>

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**EXPLANATORY NOTES**

**15. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")**

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Money market instruments</b>		
Bank Negara Malaysia bills	299,757	-
Malaysian Government securities	7,627,317	-
Negotiable instruments of deposits	6,582,634	-
Cagamas bonds	1,526,756	-
Less: Allowance for ECL	(7,187)	-
	<u>16,029,277</u>	<u>-</u>
<b>Private debt securities of companies incorporated</b>		
In Malaysia		
Quoted corporate bonds	190,714	-
Less: Allowance for ECL	(42,258)	-
	<u>148,456</u>	<u>-</u>
<b>Unquoted securities</b>		
Private debt securities	276	-
	<u>276</u>	<u>-</u>
<b>Total debt instruments at FVOCI</b>	<u><b>16,178,009</b></u>	<u><b>-</b></u>

**16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")**

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Quoted securities</b>		
Shares of corporations in Malaysia	2,301	-
<b>Unquoted securities</b>		
Shares of corporations in Malaysia	111,060	-
<b>Total equity instruments at FVOCI</b>	<u><b>113,361</b></u>	<u><b>-</b></u>

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**EXPLANATORY NOTES****17. LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	31-Dec-17	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Overdrafts	<b>3,331,016</b>	3,186,510	<b>3,331,016</b>	3,186,510
Term loans/financing and revolving credits				
- Housing loans/financing	<b>30,112,071</b>	29,291,401	<b>30,112,071</b>	29,291,401
- Syndicated term loans/financing	<b>685,345</b>	544,209	<b>685,345</b>	544,209
- Other term loans/financing	<b>35,309,987</b>	34,922,311	<b>35,433,126</b>	35,036,948
Credit card receivables	<b>2,571,453</b>	2,600,791	<b>2,571,453</b>	2,600,791
Bills receivables	<b>1,003,268</b>	1,178,127	<b>1,003,268</b>	1,178,127
Trust receipts	<b>2,383,412</b>	2,184,802	<b>2,383,412</b>	2,184,802
Claims on customers under acceptance credits	<b>5,345,009</b>	5,270,115	<b>5,345,009</b>	5,270,115
Staff loans	<b>37,631</b>	39,057	<b>37,631</b>	39,057
Others	<b>13,616</b>	12,050	<b>13,617</b>	12,050
	<b>80,792,808</b>	79,229,373	<b>80,915,948</b>	79,344,010
Unearned interest/income	<b>(141,641)</b>	(129,980)	<b>(141,641)</b>	(129,980)
<b>Gross loans, advances and financing</b>	<b>80,651,167</b>	79,099,393	<b>80,774,307</b>	79,214,030
<b>Allowance for ECL/impairment on loans, advances and financing</b>				
- Individual impairment	-	(310,143)	-	(310,143)
- Collective impairment	-	(1,227,949)	-	(1,228,857)
- Allowance for ECL	<b>(1,328,726)</b>	-	<b>(1,329,891)</b>	-
<b>Net loans, advances and financing</b>	<b>79,322,441</b>	77,561,301	<b>79,444,416</b>	77,675,030

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	31-Dec-17	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>23,484,372</b>	22,606,194	<b>23,484,372</b>	22,606,194
One year to three years	<b>4,356,548</b>	4,079,050	<b>4,479,688</b>	4,193,687
Three years to five years	<b>4,349,106</b>	4,535,444	<b>4,349,106</b>	4,535,444
Over five years	<b>48,461,141</b>	47,878,705	<b>48,461,141</b>	47,878,705
	<b>80,651,167</b>	79,099,393	<b>80,774,307</b>	79,214,030

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**EXPLANATORY NOTES****17. LOANS, ADVANCES AND FINANCING (cont'd.)****(ii) Gross loans, advances and financing by type of customer:**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Domestic non-banking financial institutions				
- Stockbroking companies	<b>23,755</b>	22,047	<b>23,755</b>	22,047
- Others	<b>662,241</b>	579,005	<b>662,241</b>	579,005
Domestic business enterprises				
- Small medium enterprises	<b>17,195,578</b>	17,074,341	<b>17,195,578</b>	17,074,341
- Others	<b>15,686,099</b>	14,809,905	<b>15,809,239</b>	14,924,542
Individuals	<b>40,042,533</b>	39,333,330	<b>40,042,533</b>	39,333,330
Foreign entities	<b>7,040,961</b>	7,280,765	<b>7,040,961</b>	7,280,765
	<b>80,651,167</b>	79,099,393	<b>80,774,307</b>	79,214,030

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed rate				
- Housing loans/financing	<b>36,747</b>	38,422	<b>36,747</b>	38,422
- Other fixed rate loans/ financing	<b>8,708,818</b>	8,613,910	<b>8,708,818</b>	8,613,910
Variable rate				
- Base rate/base lending/ financing rate-plus	<b>52,868,735</b>	51,846,728	<b>52,868,736</b>	51,846,728
- Cost-plus	<b>18,379,435</b>	17,773,452	<b>18,502,574</b>	17,888,089
- Other variable rates	<b>657,432</b>	826,881	<b>657,432</b>	826,881
	<b>80,651,167</b>	79,099,393	<b>80,774,307</b>	79,214,030

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**EXPLANATORY NOTES****17. LOANS, ADVANCES AND FINANCING (cont'd.)****(iv) Gross loans, advances and financing by economic sector:**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	<b>1,396,598</b>	1,251,997	<b>1,396,598</b>	1,251,997
Mining and quarrying	<b>922,647</b>	1,176,581	<b>922,647</b>	1,176,581
Manufacturing	<b>6,881,058</b>	6,331,060	<b>6,881,058</b>	6,331,060
Electricity, gas and water	<b>292,261</b>	131,078	<b>292,261</b>	131,078
Construction	<b>6,979,088</b>	6,909,577	<b>6,979,088</b>	6,909,577
Wholesale, retail trade, restaurants and hotels	<b>10,037,933</b>	9,970,141	<b>10,037,933</b>	9,970,141
Transport, storage and communication	<b>1,240,547</b>	1,217,056	<b>1,240,547</b>	1,217,056
Finance, insurance and business services	<b>3,280,731</b>	3,099,679	<b>3,280,731</b>	3,099,679
Real estate	<b>4,102,502</b>	4,275,124	<b>4,225,642</b>	4,389,761
Community, social and personal services	<b>148,467</b>	154,374	<b>148,467</b>	154,374
Households				
- purchase of residential properties	<b>30,904,968</b>	30,114,804	<b>30,904,968</b>	30,114,804
- purchase of non residential properties	<b>9,073,152</b>	9,065,647	<b>9,073,152</b>	9,065,647
- others	<b>5,391,215</b>	5,402,275	<b>5,391,215</b>	5,402,275
	<b>80,651,167</b>	79,099,393	<b>80,774,307</b>	79,214,030

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**EXPLANATORY NOTES**

**17. LOANS, ADVANCES AND FINANCING (cont'd.)**

**(v) Movements in credit-impaired loans, advances and financing are as follows:**

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 January	1,350,419	1,226,347
Classified as credit impaired during the period/year	550,970	907,062
Amount recovered	(166,456)	(378,498)
Reclassified as non credit impaired	(98,861)	(258,288)
Amount written-off	(156,416)	(146,204)
As at 30 June/31 December	<u>1,479,656</u>	<u>1,350,419</u>
Allowance for ECL on credit impaired/individual impairment	(232,946)	(310,143)
Net impaired loans, advances and financing	<u>1,246,710</u>	<u>1,040,276</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less allowance for ECL on credit impaired/individual impairment	<u>1.5%</u>	<u>1.3%</u>

**(vi) Credit-impaired loans, advances and financing analysed by economic sectors are as follows:**

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	684	11,161
Manufacturing	153,040	140,079
Construction	215,719	138,526
Wholesale, retail trade, restaurants and hotels	189,667	133,802
Transport, storage and communication	135,086	142,836
Finance, insurance and business services	25,171	127,092
Real estate	163,222	121,485
Community, social and personal services	2,127	737
Households		
- purchase of residential properties	430,464	381,318
- purchase of non residential properties	69,000	60,201
- others	95,476	93,182
	<u>1,479,656</u>	<u>1,350,419</u>

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**EXPLANATORY NOTES**

**17. LOANS, ADVANCES AND FINANCING (cont'd.)**

(vii) Credit-impaired loans, advances and financing analysed by geographical distribution are as follows:

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia	<b>1,479,656</b>	<b>1,350,419</b>

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Collective Impairment</u>				
As at 1 January	<b>1,227,949</b>	1,123,467	<b>1,228,857</b>	1,125,048
Restated for adoption of MFRS9	<b>(1,227,949)</b>	-	<b>(1,228,857)</b>	-
Impairment loss during the period/year	-	104,482	-	103,809
As at 30 June/31 December	-	1,227,949	-	1,228,857

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Individual Impairment</u>		
As at 1 January	<b>310,143</b>	233,670
Restated for adoption of MFRS 9	<b>(310,143)</b>	-
Impairment loss during the period/year	-	332,656
Amount written back in respect of recoveries	-	(119,569)
Amount written-off	-	(128,265)
Interest/profit recognised on impaired loans/financing	-	(7,016)
Others	-	(1,333)
As at 30 June/31 December	-	310,143

Please refer to Note 24 for the movement in allowance for ECL



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**EXPLANATORY NOTES****18. DERIVATIVE 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 for customers, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The fair values of the derivatives are as follows:

	<b>Group and Bank</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>As at 30 June 2018</b>			
Foreign exchange contracts			
- forwards	8,488,997	101,662	144,227
- swaps	18,676,865	211,712	127,752
- options	1,199,847	6,080	2,744
Interest rate related contracts			
- swaps	20,861,393	271,006	157,290
- futures	327,078	388	76
Equity related contracts			
- swaps	196,358	5,594	5,481
- options	1,102,944	18,717	18,717
Commodity related contracts			
- swaps	162,470	2,200	6,881
- futures	85,414	3,502	243
- options	236,873	-	765
	<b>620,861</b>	<b>464,176</b>	

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**EXPLANATORY NOTES****18. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (cont'd.)**

	<b>Group and Bank</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>As at 31 December 2017</b>			
Foreign exchange contracts			
- forwards	8,459,626	61,201	252,042
- swaps	15,252,340	232,044	141,989
- options	691,256	11,295	8,494
Interest rate related contracts			
- swaps	22,329,026	234,932	145,484
- futures	945,631	163	-
Equity related contracts			
- swaps	183,900	4,498	4,498
- options	1,374,664	37,310	37,310
Commodity related contracts			
- swaps	218,533	6,326	11,019
- futures	125,299	4,391	166
- options	409,381	-	264
	<b>592,160</b>	<b>601,266</b>	

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

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**EXPLANATORY NOTES****19. OTHER ASSETS**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	31-Dec-17	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Other receivables, deposits and prepayments	<b>99,365</b>	121,129	<b>99,387</b>	124,479
Accrued interest/profit receivable	<b>174,559</b>	151,637	<b>174,559</b>	151,637
Amount due from subsidiaries	-	-	<b>140</b>	137
Amount due from ultimate holding com	<b>12,698</b>	6,861	<b>12,698</b>	6,861
Precious metal accounts	<b>201,773</b>	204,212	<b>201,773</b>	204,212
Less: Allowance for ECL	<b>(1,683)</b>	-	<b>(1,683)</b>	-
	<b>486,712</b>	483,839	<b>486,874</b>	487,326

**20. DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	31-Dec-17	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>20,566,654</b>	20,885,858	<b>20,570,621</b>	20,901,732
Savings deposits	<b>2,667,336</b>	1,891,887	<b>2,667,336</b>	1,891,887
Fixed deposits	<b>57,220,366</b>	53,847,599	<b>57,220,366</b>	53,847,599
Others	<b>7,334,642</b>	6,763,441	<b>7,334,642</b>	6,763,441
	<b>87,788,998</b>	83,388,785	<b>87,792,965</b>	83,404,659

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	31-Dec-17	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due within six months	<b>35,347,369</b>	34,109,466	<b>35,347,369</b>	34,109,466
Six months to one year	<b>21,747,840</b>	19,680,142	<b>21,747,840</b>	19,680,142
One year to three years	<b>108,192</b>	56,847	<b>108,192</b>	56,847
Three years to five years	<b>16,965</b>	1,144	<b>16,965</b>	1,144
	<b>57,220,366</b>	53,847,599	<b>57,220,366</b>	53,847,599

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**EXPLANATORY NOTES****20. DEPOSITS FROM CUSTOMERS (cont'd.)**

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

	Group		Bank	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Business enterprises				
- Subsidiaries	-	-	3,968	15,874
- Related companies	1,582	1,089	1,582	1,089
- Others	34,246,499	33,237,005	34,246,498	33,237,005
Individuals	46,257,017	44,326,247	46,257,017	44,326,247
Others	7,283,900	5,824,444	7,283,900	5,824,444
	<b>87,788,998</b>	<b>83,388,785</b>	<b>87,792,965</b>	<b>83,404,659</b>

**21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group		Bank	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Licensed banks in Malaysia	1,318,938	422,234	1,318,938	422,234
Bank Negara Malaysia	955,515	1,211,835	955,515	1,211,835
Other financial institutions	5,927,388	2,767,621	5,927,420	2,767,651
	<b>8,201,841</b>	<b>4,401,690</b>	<b>8,201,873</b>	<b>4,401,720</b>

**22. OTHER LIABILITIES**

	Group		Bank	
	30-Jun-18 RM'000	31-Dec-17 RM'000	30-Jun-18 RM'000	31-Dec-17 RM'000
Allowance for ECL/provision for commitments and contingencies	114,510	17,111	114,510	17,111
Accrued interest/profit payable	541,168	708,543	541,168	708,543
Accruals and provisions for operational expenses	114,496	246,000	113,323	244,169
Other payables and accruals	1,398,180	1,271,944	1,397,958	1,271,890
Deferred income	182,064	194,311	182,064	194,311
	<b>2,350,418</b>	<b>2,437,909</b>	<b>2,349,023</b>	<b>2,436,024</b>

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**EXPLANATORY NOTES**

**23. SUBORDINATED BONDS**

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
RM500 million subordinated bond 2013/2023, at par (Note (a))	<b>500,000</b>	500,000
RM1 billion subordinated bond 2015/2025, at par (Note (b))	<b>1,001,856</b>	1,002,702
	<b><u>1,501,856</u></b>	<u>1,502,702</u>
Accumulated fair value hedge loss (Note (b))	<b><u>(1,856)</u></b>	<u>(2,702)</u>

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

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

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

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

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

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

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

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

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

The Bank uses fair value hedge to protect changes in fair value of the Bond 2. The Bank primarily uses interest rate swap as hedge of interest rate risk.

As at 30 June 2018, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (31 December 2017: RM500 million) whereby the Bank receives a fixed interest rate of 4.65% per annum and pays variable interests rate of 6-month KLIBOR plus 0.590% to 0.725% on the notional amount. The swap is being used to hedge exposure to changes in fair value of fixed rate of the Bond 2, which has a fixed rate.

The movements in fair value of the interest rate swap of RM846,000,000 (31 December 2017: RM1,082,000) are recognised in trading and investment income during the year. There is no ineffectiveness recognised for this hedge.

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**EXPLANATORY NOTES**

**24 Movements in allowance for ECL**

**(a) Other financial assets:**

**Cash and short-term funds, Debts instruments at FVOCI and Other assets**

**Group and Bank**

As at 31 December 2017

Effect of adopting MFRS 9 *Financial Instruments*

As at 1 January 2018, restated

Movements with profit or loss impact:

(i) Transfer to Stage 1

(ii) Transferred to Stage 2

(a) Stage 1 to Stage 2

(iii) New/additional ECL during the period

(iv) Maturity/settlement/reduction in ECL during the period

(v) Others

As at 30 June 2018

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Individual Impairment RM'000	Total RM'000
As at 31 December 2017	-	-	-	39,960	39,960
Effect of adopting MFRS 9 <i>Financial Instruments</i>	23,278	23,942	39,960	(39,960)	47,220
As at 1 January 2018, restated	<b>23,278</b>	<b>23,942</b>	<b>39,960</b>	-	<b>87,180</b>
<u>Movements with profit or loss impact:</u>					
(i) Transfer to Stage 1	4,547	(34,847)	-	-	(30,300)
(ii) Transferred to Stage 2					
(a) Stage 1 to Stage 2	(2)	20	-	-	18
(iii) New/additional ECL during the period	25,454	30,426	-	-	55,880
(iv) Maturity/settlement/reduction in ECL during the period	(15,021)	(10,507)	-	-	(25,528)
(v) Others	(143)	(101)	-	-	(244)
As at 30 June 2018	<b>38,113</b>	<b>8,933</b>	<b>39,960</b>	-	<b>87,006</b>

**(b) Commitments and contingencies**

**Group and Bank**

As at 31 December 2017

Effect of adopting MFRS 9 *Financial Instruments*

As at 1 January 2018, restated

Movements with profit or loss impact:

(i) Transfer to Stage 1

(ii) Transferred to Stage 2

(a) Stage 1 to Stage 2

(iii) New/additional ECL during the period

(iv) Maturity/settlement/reduction in ECL during the period

(v) Others

As at 30 June 2018

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Individual Impairment RM'000	Total RM'000
As at 31 December 2017	-	-	-	17,111	17,111
Effect of adopting MFRS 9 <i>Financial Instruments</i>	74,009	14,275	17,111	(17,111)	88,284
As at 1 January 2018, restated	<b>74,009</b>	<b>14,275</b>	<b>17,111</b>	-	<b>105,395</b>
<u>Movements with profit or loss impact:</u>					
(i) Transfer to Stage 1	4,785	(7,474)	-	-	(2,689)
(ii) Transferred to Stage 2					
(a) Stage 1 to Stage 2	(7,281)	14,862	-	-	7,581
(iii) New/additional ECL during the period	58,294	8,443	-	-	66,737
(iv) Maturity/settlement/reduction in ECL during the period	(48,164)	(12,960)	(1,325)	-	(62,449)
(v) Others	(28)	(37)	-	-	(65)
As at 30 June 2018	<b>81,615</b>	<b>17,109</b>	<b>15,786</b>	-	<b>114,510</b>

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**EXPLANATORY NOTES**

**24 Movements in allowance for ECL (cont'd.)**

**(c) Loans, advances and financing**

<b>Group</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Collective Impairment RM'000</b>	<b>Individual Impairment RM'000</b>	<b>Total RM'000</b>
As at 31 December 2017	-	-	-	1,227,949	310,143	1,538,092
Effect of adopting MFRS 9 <i>Financial Instruments</i>	690,008	402,436	310,143	(1,227,949)	(310,143)	(135,505)
As at 1 January 2018, restated	<b>690,008</b>	<b>402,436</b>	<b>310,143</b>	-	-	<b>1,402,587</b>
<u>Movements with profit or loss impact:</u>						
(i) Transfer to Stage 1	<b>10,890</b>	<b>(45,600)</b>	<b>(488)</b>	-	-	<b>(35,198)</b>
(ii) Transferred to Stage 2						
(a) Stage 1 to Stage 2	<b>(15,608)</b>	<b>59,827</b>	-	-	-	<b>44,219</b>
(b) Stage 3 to Stage 2	-	<b>18,425</b>	<b>(7,992)</b>	-	-	<b>10,433</b>
(iii) Transferred to Stage 3						
(a) Stage 2 to Stage 3	-	<b>(27,058)</b>	<b>59,660</b>	-	-	<b>32,602</b>
(iv) New/additional ECL during the period	<b>150,881</b>	<b>17,403</b>	<b>71,715</b>	-	-	<b>239,999</b>
(v) Maturity/settlement/reduction in ECL during the period	<b>(148,266)</b>	<b>(17,102)</b>	<b>(54,486)</b>	-	-	<b>(219,854)</b>
(vi) Others	<b>(263)</b>	<b>(193)</b>	-	-	-	<b>(456)</b>
<u>Movements without profit or loss impact:</u>						
(i) Written off	-	-	<b>(146,138)</b>	-	-	<b>(146,138)</b>
(ii) Others	-	-	<b>532</b>	-	-	<b>532</b>
As at 30 June 2018	<b>687,642</b>	<b>408,138</b>	<b>232,946</b>	-	-	<b>1,328,726</b>

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**EXPLANATORY NOTES**

**24 Movements in allowance for ECL (cont'd.)**

**(c) Loans, advances and financing (cont'd.)**

<b>Bank</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Collective Impairment RM'000</b>	<b>Individual Impairment RM'000</b>	<b>Total RM'000</b>
As at 31 December 2017	-	-	-	1,228,857	310,143	1,539,000
Effect of adopting MFRS 9 <i>Financial Instruments</i>	690,916	402,436	310,143	(1,228,857)	(310,143)	(135,505)
As at 1 January 2018, restated	<b>690,916</b>	<b>402,436</b>	<b>310,143</b>	-	-	<b>1,403,495</b>
<u>Movements with profit or loss impact:</u>						
(i) Transfer to Stage 1	<b>10,890</b>	<b>(45,600)</b>	<b>(488)</b>	-	-	<b>(35,198)</b>
(ii) Transferred to Stage 2						
(a) Stage 1 to Stage 2	<b>(15,608)</b>	<b>59,827</b>	-	-	-	<b>44,219</b>
(b) Stage 3 to Stage 2	-	<b>18,425</b>	<b>(7,992)</b>	-	-	<b>10,433</b>
(iii) Transferred to Stage 3						
(a) Stage 2 to Stage 3	-	<b>(27,058)</b>	<b>59,660</b>	-	-	<b>32,602</b>
(iv) New/additional ECL during the period	<b>150,881</b>	<b>17,403</b>	<b>71,715</b>	-	-	<b>239,999</b>
(v) Maturity/settlement/reduction in ECL during the period	<b>(148,010)</b>	<b>(17,102)</b>	<b>(54,486)</b>	-	-	<b>(219,598)</b>
(vi) Others	<b>(263)</b>	<b>(193)</b>	-	-	-	<b>(456)</b>
<u>Movements without profit or loss impact:</u>						
(i) Written off	-	-	<b>(146,138)</b>	-	-	<b>(146,138)</b>
(ii) Others	<b>1</b>	-	<b>532</b>	-	-	<b>533</b>
As at 30 June 2018	<b>688,807</b>	<b>408,138</b>	<b>232,946</b>	-	-	<b>1,329,891</b>



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**EXPLANATORY NOTES****25. OPERATING REVENUE**

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

**26. INTEREST INCOME**

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Interest income from loans, advances and financing	<b>1,008,040</b>	971,751	<b>1,987,512</b>	1,942,331
Interest income from impaired loans, advances and financing	<b>19,797</b>	17,698	<b>39,409</b>	32,939
Money at call and deposit placements with financial institutions	<b>55,405</b>	69,843	<b>133,761</b>	150,844
Financial assets at FVTPL	<b>12,801</b>	16,703	<b>20,509</b>	23,151
FVOCI/AFS securities	<b>129,017</b>	100,927	<b>221,183</b>	178,311
Others	<b>1</b>	29	<b>17</b>	42
	<b>1,225,061</b>	1,176,951	<b>2,402,391</b>	2,327,618
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	<b>21,223</b>	(162)	<b>26,750</b>	(119)
- FVOCI/AFS securities	<b>(3,539)</b>	(2,260)	<b>(6,833)</b>	(4,703)
	<b>1,242,745</b>	1,174,529	<b>2,422,308</b>	2,322,796
<b>Bank</b>				
Interest income from loans, advances and financing	<b>1,009,411</b>	973,719	<b>1,990,094</b>	1,946,278
Interest income from impaired loans, advances and financing	<b>19,797</b>	17,698	<b>39,409</b>	32,939
Money at call and deposit placements with financial institutions	<b>55,400</b>	69,843	<b>133,758</b>	150,844
Financial assets at FVTPL	<b>12,801</b>	16,703	<b>20,509</b>	23,151
FVOCI/AFS securities	<b>129,017</b>	100,927	<b>221,183</b>	178,311
Others	<b>1</b>	29	<b>17</b>	42
	<b>1,226,427</b>	1,178,919	<b>2,404,970</b>	2,331,565
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	<b>21,222</b>	(162)	<b>26,750</b>	(119)
- FVOCI/AFS securities	<b>(3,538)</b>	(2,260)	<b>(6,833)</b>	(4,703)
	<b>1,244,111</b>	1,176,497	<b>2,424,887</b>	2,326,743

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**EXPLANATORY NOTES****27. INTEREST EXPENSE**

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	668,750	614,738	1,304,701	1,226,331
Deposits and placements of banks and other financial institutions	42,157	26,692	65,674	44,950
Subordinated bonds	16,917	16,724	33,536	33,252
Others	4,829	3,104	10,877	6,287
	<b>732,653</b>	661,258	<b>1,414,788</b>	1,310,820
<b>Bank</b>				
Deposits from customers	668,757	614,750	1,304,736	1,226,361
Deposits and placements of banks and other financial institutions	42,157	26,692	65,674	44,950
Subordinated bonds	16,917	16,724	33,536	33,252
Others	4,830	3,104	10,877	6,287
	<b>732,661</b>	661,270	<b>1,414,823</b>	1,310,850

**28. OTHER OPERATING INCOME**

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	62,890	71,613	141,463	139,190
Guarantee fees	19,740	20,814	45,616	39,359
Service charges and fees	56,771	49,739	106,591	101,429
Commitment fees	6,854	7,476	13,858	15,040
Arrangement and participation fees	4,370	815	4,590	1,381
Less: Fee expenses	(15,706)	(16,893)	(30,680)	(32,802)
	<b>134,919</b>	133,564	<b>281,438</b>	263,597

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**EXPLANATORY NOTES****28. OTHER OPERATING INCOME (cont'd.)**

Group (cont'd.)	Second Quarter		Six Months	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
<u>Trading and Investment income</u>				
(Loss)/gain from sale of financial assets at FVTPL	(2,811)	2,607	(167)	2,185
Unrealised loss on financial assets at FVTPL	(6,924)	(1,673)	(5,718)	(1,457)
Gain from trading derivatives	3,113	14,106	31,052	31,967
Unrealised gain/(loss) from trading derivatives	17,071	(4,542)	9,848	10,701
Unrealised gain/(loss) on fair value hedge	34	(1,304)	847	(720)
Gain from sale of precious metal	527	395	1,157	267
Unrealised gain from sale of precious metal	73	18	28	32
Gain from sale/recovery of FVOCI/AFS securities	22	4,022	3,305	4,022
Gross dividends from:				
- AFS securities unquoted in Malaysia	508	500	508	500
	<b>11,613</b>	14,129	<b>40,860</b>	47,497
<u>Other income</u>				
Foreign exchange gain, net	50,240	42,335	109,363	73,742
Rental income from operating leases	21	104	46	211
Gain on disposal of property, plant and equipment	-	-	134	1,221
Gain on liquidation of subsidiary	12	-	12	-
Others	5,066	3,506	8,826	6,873
	<b>55,339</b>	45,945	<b>118,381</b>	82,047
	<b>201,871</b>	193,638	<b>440,679</b>	393,141

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**EXPLANATORY NOTES****28. OTHER OPERATING INCOME (cont'd.)**

	Second Quarter		Six Months	
	Ended		Ended	
<b>Bank</b>	<b>30-Jun-18</b>	30-Jun-17	<b>30-Jun-18</b>	30-Jun-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<u>Fee income</u>				
Commission	<b>62,890</b>	71,613	<b>141,463</b>	139,190
Guarantee fees	<b>19,740</b>	20,814	<b>45,616</b>	39,359
Service charges and fees	<b>56,836</b>	49,803	<b>106,720</b>	101,558
Commitment fees	<b>6,854</b>	7,479	<b>13,858</b>	15,045
Arrangement and participation fees	<b>4,370</b>	815	<b>4,590</b>	1,381
Less: Fee expenses	<b>(15,706)</b>	(16,893)	<b>(30,680)</b>	(32,802)
	<b>134,984</b>	133,631	<b>281,567</b>	263,731
<u>Trading and Investment income</u>				
(Loss)/gain from sale of financial assets at FVTPL	<b>(2,810)</b>	2,607	<b>(166)</b>	2,185
Unrealised loss on financial assets at FVTPL	<b>(6,924)</b>	(1,673)	<b>(5,718)</b>	(1,457)
Gain from trading derivatives	<b>3,113</b>	14,106	<b>31,052</b>	31,967
Unrealised gain/(loss) from trading derivatives	<b>17,071</b>	(4,542)	<b>9,848</b>	10,701
Unrealised gain/(loss) on fair value hedge	<b>33</b>	(1,304)	<b>846</b>	(720)
Gain from sale of precious metal	<b>527</b>	395	<b>1,157</b>	267
Unrealised gain from sale of previous metal	<b>73</b>	18	<b>28</b>	32
Gain from sale/recovery of FVOCI/AFS securities	<b>22</b>	4,022	<b>3,305</b>	4,022
Gross dividends from:				
in Malaysia	<b>508</b>	500	<b>508</b>	500
- an associate	-	-	-	1,921
	<b>11,613</b>	14,129	<b>40,860</b>	49,418

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**EXPLANATORY NOTES****28. OTHER OPERATING INCOME (cont'd.)**

	Second Quarter		Six Months	
	Ended		Ended	
<b>Bank (cont'd.)</b>	<b>30-Jun-18</b>	30-Jun-17	<b>30-Jun-18</b>	30-Jun-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<u>Other income</u>				
Foreign exchange gain, net	<b>50,239</b>	42,335	<b>109,362</b>	73,742
Gain on disposal of property, plant and equipment	-	-	<b>134</b>	1,221
Gain on liquidation of subsidiary	<b>12</b>	-	<b>12</b>	-
Others	<b>5,066</b>	3,506	<b>8,826</b>	6,869
	<b>55,317</b>	45,841	<b>118,334</b>	81,832
	<b>201,914</b>	193,601	<b>440,761</b>	394,981

**29. OTHER OPERATING EXPENSES**

	Second Quarter		Six Months	
	Ended		Ended	
<b>Group</b>	<b>30-Jun-18</b>	30-Jun-17	<b>30-Jun-18</b>	30-Jun-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>190,819</b>	175,597	<b>373,650</b>	338,257
Establishment related expenses	<b>53,888</b>	54,241	<b>110,698</b>	103,181
Promotion and marketing related expenses	<b>8,563</b>	8,195	<b>16,144</b>	14,498
General administrative expenses	<b>24,516</b>	24,321	<b>50,842</b>	49,536
	<b>277,786</b>	262,354	<b>551,334</b>	505,472
<u>Personnel expenses</u>				
Wages, salaries and bonus	<b>149,461</b>	139,848	<b>296,141</b>	269,737
Defined contribution plan	<b>23,428</b>	22,154	<b>46,427</b>	42,494
Other employee benefits	<b>17,930</b>	13,595	<b>31,082</b>	26,026
	<b>190,819</b>	175,597	<b>373,650</b>	338,257
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	<b>15,682</b>	14,009	<b>30,295</b>	27,845
Information technology costs	<b>10,640</b>	10,812	<b>25,648</b>	25,252
Repair and maintenance	<b>11,415</b>	12,994	<b>23,807</b>	21,028
Rental of premises	<b>3,807</b>	3,760	<b>8,025</b>	7,626
Others	<b>12,344</b>	12,666	<b>22,923</b>	21,430
	<b>53,888</b>	54,241	<b>110,698</b>	103,181

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**EXPLANATORY NOTES****29. OTHER OPERATING EXPENSES (cont'd.)**

Group (cont'd.)	Second Quarter		Six Months	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	<b>8,563</b>	8,195	<b>16,144</b>	14,498
<u>General administrative expenses</u>				
Fees and commissions paid	<b>7,654</b>	5,427	<b>13,277</b>	10,565
Others	<b>16,862</b>	18,894	<b>37,565</b>	38,971
	<b>24,516</b>	24,321	<b>50,842</b>	49,536
<b>Bank</b>				
Personnel expenses	<b>189,590</b>	174,643	<b>371,336</b>	336,344
Establishment related expenses	<b>57,422</b>	57,605	<b>117,373</b>	109,510
Promotion and marketing related expenses	<b>8,555</b>	8,178	<b>16,127</b>	14,470
General administrative expenses	<b>24,563</b>	24,277	<b>50,755</b>	49,465
	<b>280,130</b>	264,703	<b>555,591</b>	509,789
<u>Personnel expenses</u>				
Wages, salaries and bonus	<b>148,495</b>	139,053	<b>294,271</b>	268,160
Defined contribution plan	<b>23,295</b>	22,037	<b>46,164</b>	42,267
Other employee benefits	<b>17,800</b>	13,553	<b>30,901</b>	25,917
	<b>189,590</b>	174,643	<b>371,336</b>	336,344
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	<b>13,370</b>	11,916	<b>25,731</b>	23,660
Information technology costs	<b>10,640</b>	10,812	<b>25,648</b>	25,252
Repair and maintenance	<b>11,213</b>	12,714	<b>23,394</b>	20,533
Rental of premises	<b>8,645</b>	8,525	<b>17,585</b>	17,157
Others	<b>13,554</b>	13,638	<b>25,015</b>	22,908
	<b>57,422</b>	57,605	<b>117,373</b>	109,510
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	<b>8,555</b>	8,178	<b>16,127</b>	14,470
<u>General administrative expenses</u>				
Fees and commissions paid	<b>7,707</b>	5,387	<b>13,200</b>	10,505
Others	<b>16,856</b>	18,890	<b>37,555</b>	38,960
	<b>24,563</b>	24,277	<b>50,755</b>	49,465

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**EXPLANATORY NOTES****30. ALLOWANCE FOR EXPECTED CREDIT LOSSES**

Group	Second Quarter		Six Months		
	Ended		Ended		
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000	
a	Loans, advances and financing				
	- Expected credit loss (non-credit impaired)	(4,119)	-	3,336	-
	- Expected credit loss (credit impaired)	47,393	-	68,409	-
	- Collective impairment	-	(2,753)	-	56,202
	- Individual impairment	-	36,672	-	58,673
		<b>43,274</b>	<b>33,919</b>	<b>71,745</b>	<b>114,875</b>
	Credit-impaired loans, advances and financing				
	-written off	11,892	5,815	21,773	12,809
	-recovered	(13,359)	(12,028)	(27,071)	(24,059)
		<b>41,807</b>	<b>27,706</b>	<b>66,447</b>	<b>103,625</b>
b	Other financial assets:				
	Placement with banks and other financial institutions, and other assets	13,741	-	(1,328)	-
	Debt instruments measured at FVOCI	(18,689)	-	1,154	-
		<b>(4,948)</b>	<b>-</b>	<b>(174)</b>	<b>-</b>
c	Commitments and contingencies				
	- Expected credit loss (non-credit impaired)	624	-	10,440	-
	- Expected credit loss (credit impaired)	(1,557)	2,832	(1,325)	1,940
		<b>(933)</b>	<b>2,832</b>	<b>9,115</b>	<b>1,940</b>
	<b>Bank</b>				
a	Loans, advances and financing				
	- Expected credit loss (non-credit impaired)	(4,091)	-	3,592	-
	- Expected credit loss (credit impaired)	47,393	-	68,409	-
	- Collective impairment	-	(2,783)	-	56,153
	- Individual impairment	-	36,672	-	58,673
		<b>43,302</b>	<b>33,889</b>	<b>72,001</b>	<b>114,826</b>
	Credit-impaired loans, advances and financing				
	-written off	11,892	5,815	21,773	12,809
	-recovered	(13,359)	(12,028)	(27,071)	(24,059)
		<b>41,835</b>	<b>27,676</b>	<b>66,703</b>	<b>103,576</b>
b	Other financial assets:				
	Placement with banks and other financial institutions, and other assets	13,742	-	(1,327)	-
	Debt instruments measured at FVOCI	(18,690)	-	1,153	-
		<b>(4,948)</b>	<b>-</b>	<b>(174)</b>	<b>-</b>
c	Commitments and contingencies				
	- Expected credit loss (non-credit impaired)	624	-	10,440	-
	- Expected credit loss (credit impaired)	(1,557)	2,832	(1,325)	1,940
		<b>(933)</b>	<b>2,832</b>	<b>9,115</b>	<b>1,940</b>

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**EXPLANATORY NOTES**

**31. SEGMENT INFORMATION**

**Operating Segments**

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

**Retail**

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

**Wholesale Banking ("WB")**

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



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**EXPLANATORY NOTES**

**31. SEGMENT INFORMATION (cont'd.)**

**Operating segments (cont'd.)**

**Global Markets ("GM")**

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

**Others**

Other segments include corporate support functions and decisions not attributable to business segments mentioned above and property-related activities.

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**31. SEGMENT INFORMATION (cont'd.)**

**Operating segments (cont'd.)**

<b>Group</b>	<b>Retail RM'000</b>	<b>WB RM'000</b>	<b>GM RM'000</b>	<b>Others RM'000</b>	<b>Total segments RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>For year period 30 June 2018</b>							
Operating income	690,325	558,333	69,867	160,431	1,478,956	(12,527)	1,466,429
Other operating expenses	(352,455)	(118,080)	(26,909)	(66,376)	(563,820)	12,486	(551,334)
Allowance for expected credit losses	(61,820)	(13,821)	-	2	(75,639)	251	(75,388)
Share of net profit of an associate	-	-	-	112	112	-	112
Profit before taxation	<u>276,050</u>	<u>426,432</u>	<u>42,958</u>	<u>94,169</u>	<u>839,609</u>	<u>210</u>	<u>839,819</u>
Income tax expense							<u>(205,444)</u>
							<u>634,375</u>

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**EXPLANATORY NOTES**

**31. SEGMENT INFORMATION (cont'd.)**

**Operating segments (cont'd.)**

<b>Group (cont'd.)</b>	<b>Retail RM'000</b>	<b>WB RM'000</b>	<b>GM RM'000</b>	<b>Others RM'000</b>	<b>Total segments RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>Other information</b>							
<b>For year period 30 June 2018</b>							
Inter-segment operating income	90,744	132,313	(397,685)	187,155	12,527	(12,527)	-
Depreciation of property, plant and equipment	5,061	1,868	914	22,410	30,253	42	30,295
<b>As at 30 June 2018</b>							
Gross loans, advances and financing	51,701,865	28,730,105	-	342,337	80,774,307	(123,140)	80,651,167
Deposits from customers	57,768,841	29,992,170	23,640	8,315	87,792,966	(3,968)	87,788,998

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**EXPLANATORY NOTES****31. SEGMENT INFORMATION (cont'd.)****Operating segments (cont'd.)**

<b>Group (cont'd.)</b>	<b>Retail RM'000</b>	<b>WB RM'000</b>	<b>GM RM'000</b>	<b>Others RM'000</b>	<b>Total segments RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>For period ended 30 June 2017</b>							
Operating income	673,162	541,328	88,427	126,528	1,429,445	(15,353)	1,414,092
Other operating expenses	(330,831)	(106,361)	(25,487)	(54,660)	(517,339)	11,867	(505,472)
Allowance for impairment on loans, advances and financing	(39,083)	(64,535)	42	-	(103,576)	(49)	(103,625)
Write back of commitments and contingencies-net	-	(1,940)	-	-	(1,940)	-	(1,940)
Share of net profit of an associate	-	-	-	112	112	-	112
Profit before taxation	<u>303,248</u>	<u>368,492</u>	<u>62,982</u>	<u>71,980</u>	<u>806,702</u>	<u>(3,535)</u>	<u>803,167</u>
Income tax expense							<u>(194,842)</u>
							<u>608,325</u>

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**EXPLANATORY NOTES**

**31. SEGMENT INFORMATION (cont'd.)**

**Operating segments (cont'd.)**

<b>Group (cont'd.)</b>	<b>Retail RM'000</b>	<b>WB RM'000</b>	<b>GM RM'000</b>	<b>Others RM'000</b>	<b>Total segments RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>Other information</b>							
<b>For period ended 30 June 2017</b>							
Inter-segment operating income	84,962	109,741	(328,320)	148,970	15,353	(15,353)	-
Depreciation of property, plant and equipment	3,932	1,234	1,075	21,562	27,803	42	27,845
<b>As at 31 December 2017</b>							
Gross loans, advances and financing	50,968,770	27,913,741	-	331,519	79,214,030	(114,637)	79,099,393
Deposits from customers	55,295,680	28,087,061	1,776	20,142	83,404,659	(15,874)	83,388,785

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**EXPLANATORY NOTES****32. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	<b>792,555</b>	792,555	<b>792,555</b>	792,555
Retained profits	<b>7,799,636</b>	8,261,176	<b>7,873,486</b>	8,335,026
Other reserves	<b>213,226</b>	247,773	<b>59,588</b>	94,135
Regulatory adjustments applied in the calculation of CET1 Capital	<b>(234,944)</b>	(314,140)	<b>(246,915)</b>	(276,492)
<b>Total CET1/Tier 1 Capital</b>	<b>8,570,473</b>	8,987,364	<b>8,478,714</b>	8,945,224
<u>Tier 2 Capital</u>				
Tier 2 capital instruments	<b>1,500,000</b>	1,500,000	<b>1,500,000</b>	1,500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	<b>256,154</b>	277,701	<b>274,120</b>	278,408
- Collective impairment provisions	<b>23,763</b>	29,883	<b>14,276</b>	20,470
Regulatory adjustments applied in the calculation of Tier 2 Capital	<b>66,031</b>	70,762	<b>-</b>	(26,712)
<b>Total Tier 2 Capital</b>	<b>1,845,948</b>	1,878,346	<b>1,788,396</b>	1,772,166
<b>Total Capital</b>	<b>10,416,421</b>	10,865,710	<b>10,267,110</b>	10,717,390

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**EXPLANATORY NOTES**

**32. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
CET1/Tier 1 Capital	<b>14.961%</b>	16.373% *	<b>14.963%</b>	16.484% *
Total Capital	<b>18.184%</b>	19.795% *	<b>18.119%</b>	19.749% *

\* The CET1/Tier 1 Capital and Total Capital ratios were before payment of dividend. The CET1/Tier 1 Capital would be 15.532% and 18.954% for the Group and 15.633% and 18.899% for the Bank, respectively, net of proposed dividend.

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total RWA for credit risk	<b>50,728,889</b>	48,674,131	<b>50,096,436</b>	48,038,923
Total RWA for market risk	<b>1,208,218</b>	986,262	<b>1,208,218</b>	986,262
Total RWA for operational risk	<b>5,347,659</b>	5,230,645	<b>5,361,124</b>	5,242,469
	<b>57,284,766</b>	54,891,038	<b>56,665,778</b>	54,267,654

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**EXPLANATORY NOTES**

**33. COMMITMENTS AND CONTINGENCIES**

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

<b>As at 30 June 2018</b>	<b>Principal amount RM'000</b>	<b>Group Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	2,919,032	2,859,915	2,216,474
Transaction-related contingent items	6,077,283	3,053,975	2,155,870
Short-term self-liquidating trade-related contingencies	505,088	101,100	74,207
Foreign exchange related contracts			
- less than one year	28,192,732	690,472	186,299
- more than one year to less than five years	172,977	10,424	6,928
Interest rate related contracts			
- less than one year	6,276,333	143,279	51,374
- more than one year to less than five years	14,477,059	680,321	522,059
- five years and above	435,079	60,786	95,353
Equity related contracts			
- less than one year	315,556	17,892	16,044
- more than one year to less than five years	983,746	40,532	6,979
Precious metal contracts			
- less than one year	26,681	-	-
Commodity related contracts			
- less than one year	262,796	20,502	9,243
- more than one year to less than five years	221,961	22,659	4,512
Undrawn credit facility			
- less than one year	16,180,876	1,211,701	571,715
- more than one year	11,337,631	6,339,610	4,095,381
- unconditionally cancellable	11,697,184	6,121,521	658,774
<b>Total</b>	<b>100,082,014</b>	<b>21,374,689</b>	<b>10,671,212</b>



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**EXPLANATORY NOTES****33. COMMITMENTS AND CONTINGENCIES (cont'd.)**

<b>As at 30 June 2018</b>	<b>Principal amount RM'000</b>	<b>Bank Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	2,919,032	2,859,915	2,216,474
Transaction-related contingent items	6,077,283	3,053,975	2,155,870
Short-term self-liquidating trade-related contingencies	505,088	101,100	74,207
Foreign exchange related contracts			
- less than one year	28,192,732	690,472	186,299
- more than one year to less than five years	172,977	10,424	6,928
Interest rate related contracts			
- less than one year	6,276,333	143,279	51,374
- more than one year to less than five years	14,477,059	680,321	522,059
- five years and above	435,079	60,786	95,353
Equity related contracts			
- less than one year	315,556	17,892	16,044
- more than one year to less than five years	983,746	40,532	6,979
Precious metal contracts			
- less than one year	26,681	-	-
Commodity related contracts			
- less than one year	262,796	20,502	9,243
- more than one year to less than five years	221,961	22,659	4,512
Undrawn credit facility			
- less than one year	15,786,695	817,520	177,534
- more than one year	11,337,631	6,339,610	4,095,381
- unconditionally cancellable	11,697,184	6,121,521	658,774
<b>Total</b>	<b>99,687,833</b>	<b>20,980,508</b>	<b>10,277,031</b>

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**EXPLANATORY NOTES****33. COMMITMENTS AND CONTINGENCIES (cont'd.)**

<b>As at 31 December 2017</b>	<b>Principal amount RM'000</b>	<b>Group Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	3,202,391	3,155,460	2,260,927
Transaction-related contingent items	6,037,933	3,034,380	2,139,796
Short-term self-liquidating trade-related contingencies	524,618	115,387	93,389
Foreign exchange related contracts			
- less than one year	24,198,577	635,018	159,262
- more than one year to less than five years	204,645	11,512	11,065
Interest rate related contracts			
- less than one year	7,689,651	152,398	63,654
- more than one year to less than five years	15,526,922	746,707	542,178
- five years and above	58,084	4,447	2,815
Equity related contracts			
- less than one year	464,921	22,890	18,337
- more than one year to less than five years	1,093,643	43,746	7,730
Commodity related contracts			
- less than one year	215,980	23,231	9,396
- more than one year to less than five years	537,233	55,063	23,314
Undrawn credit facility			
- less than one year	14,516,980	1,113,380	572,860
- more than one year	11,697,356	6,597,870	4,202,984
- unconditionally cancellable	11,572,661	5,944,262	670,702
<b>Total</b>	<b>97,541,595</b>	<b>21,655,751</b>	<b>10,778,409</b>

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**EXPLANATORY NOTES**

**33. COMMITMENTS AND CONTINGENCIES (cont'd.)**

<b>As at 31 December 2017</b>	<b>Principal amount RM'000</b>	<b>Bank</b>	<b>Risk weighted amount RM'000</b>
		<b>Credit equivalent amount RM'000</b>	
Direct credit substitutes	3,202,391	3,155,460	2,260,927
Transaction-related contingent items	6,037,933	3,034,380	2,139,796
Short-term self-liquidating trade-related contingencies	524,618	115,387	93,389
Foreign exchange related contracts			
- less than one year	24,198,577	635,018	159,262
- more than one year to less than five years	204,645	11,512	11,065
Interest rate related contracts			
- less than one year	7,689,651	152,398	63,654
- more than one year to less than five years	15,526,922	746,707	542,178
- five years and above	58,084	4,447	2,815
Equity related contracts			
- less than one year	464,921	22,890	18,337
- more than one year to less than five years	1,093,643	43,746	7,730
Commodity related contracts			
- less than one year	215,980	23,231	9,396
- more than one year to less than five years	537,233	55,063	23,314
Undrawn credit facility			
- less than one year	14,085,535	681,934	141,414
- more than one year	11,697,356	6,597,870	4,202,984
- unconditionally cancellable	11,572,661	5,944,262	670,702
<b>Total</b>	<b>97,110,150</b>	<b>21,224,305</b>	<b>10,346,963</b>

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

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**EXPLANATORY NOTES**

**34. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

	<b>Group and Bank</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
Outstanding credit exposures with connected parties (RM'000)	<b>1,685,323</b>	1,524,980
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>2.086%</b>	1.925%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	<b>0.000%</b>	0.000%

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

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**EXPLANATORY NOTES**

**35. PERFORMANCE REVIEW**

The Group recorded a profit before taxation of RM839.8 million for the six months ended 30 June 2018, an increase of 4.6% or RM36.7 million over corresponding period last year. The increase in profit was mainly from higher operating income and lower credit impairment losses, partially offset by higher other operating expenses.

Total operating income increased by 3.7% or RM52.3 million to RM1,466.4 million largely contributed by other operating income and net income from Islamic Banking operations, partly offset by lower net interest income. Other operating income grew 12.1% or RM47.5 million to RM440.7 million mainly due to increase in fee income and foreign exchange gain, partly offset by lower trading and investment income. Net income from Islamic Banking business was at RM18.2 million.

Expenses increased by 9.1% or RM45.9 million to RM551.3 million primarily due to higher staff expenses and establishment related expenses. Cost to income ratio ended at 37.6%, moderately higher year on year as we continue to invest in building bench strength and accelerate expenditure in technology and infrastructure for future growth.

Total allowances for expected credit losses/impairment decreased by 28.6% or RM30.2 million mainly due to lower non-credit impaired expected credit loss on loans, advances and financing offset by higher credit impaired expected credit loss on loans, advances and financing and expected credit loss on commitments and contingencies.

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**EXPLANATORY NOTES**

**36. PROSPECTS FOR 2018**

The global economy is expected to stay on a positive growth path in 2018, supported by continued expansion in the advanced economies and emerging markets. Despite recent signs of moderation, growth in advanced economies remains above potential. As such, major central banks are likely to continue normalising monetary policy at a gradual pace. The region has benefited from further expansion in exports, ongoing recovery in global investment, intra-regional trade and investment integration, favourable consumer spending, and higher commodity prices. Nevertheless, risks have intensified going into the second half of the year as trade tensions escalate and policy developments in major economies could elevate financial market volatility.

Malaysia's gross domestic product is projected to expand further in 2018 albeit moderately lower, coming off from a high base in 2017. Private consumption will remain the main anchor of growth while net exports provides some buffer to cushion the slowdown in investments. Despite higher uncertainty amid the political transition and further exacerbated by the ongoing turbulence in the financial markets arising from external factors, Malaysia's economic fundamentals remain sound. The country benefits from a diversified economic structure, improved external position, resilient institutions, favourable demographics, significant natural resources, strategic geographical location, and robust macro policies. The ongoing efforts to improve transparency and accountability will help improve Malaysia's governance scores and strengthen investor confidence over time. Malaysia will continue to benefit from various regional and multilateral initiatives which are catalysts for further development, trade and investment in the region. Over the medium term, Malaysia's economy continues to look attractive given its improving fundamentals and ongoing policy reforms to stimulate economic growth through labor, capital and technology.

Against a backdrop of an improving economy, we continue to invest in our core franchise, digital capabilities and people to enhance the customer experience for our consumers and businesses.

The Group is expected to achieve satisfactory set of result in 2018.

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**37. ISLAMIC BANKING OPERATIONS**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

	Note	30-Jun-18 RM'000	31-Dec-17 RM'000
<b>Assets</b>			
Cash and short-term funds	a	872,675	179,447
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	29,872	-
Available-for-sale ("AFS") securities	b	-	30,126
Financing, advances and others	c	1,696,517	842,096
Other assets	d	769	297
Derivative financial assets		1	-
Statutory deposits with Bank Negara Malaysia		30,400	7,920
Plant and equipment		63	71
Deferred tax assets		112	145
<b>Total assets</b>		<b>2,630,409</b>	<b>1,060,102</b>
<b>Liabilities and Islamic Banking funds</b>			
Deposits from customers	f	1,949,155	600,379
Deposits and placements of banks and other financial institutions	g	212,396	4,711
Bills and acceptances payable		108	74
Derivative financial liabilities		12	-
Other liabilities	h	16,716	5,449
Tax Payable		666	88
<b>Total liabilities</b>		<b>2,179,053</b>	<b>610,701</b>
Capital fund		450,000	450,000
Reserves		1,356	(599)
<b>Islamic Banking funds</b>	i	<b>451,356</b>	<b>449,401</b>
<b>Total liabilities and Islamic Banking funds</b>		<b>2,630,409</b>	<b>1,060,102</b>
<b>Commitments and contingencies</b>	o	<b>1,020,833</b>	<b>693,549</b>

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 2017.

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

	Note	Second quarter		Six months ended	
		30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
		RM'000	RM'000	RM'000	RM'000
Income derived from depositors' funds	j	<b>13,105</b>	4,952	<b>21,676</b>	9,204
Income derived from investment of Islamic Banking funds	k	<b>14,124</b>	4,122	<b>24,492</b>	7,215
Allowance for expected credit loss/ impairment on financing, advance and others	m	<b>(2,886)</b>	(3,095)	<b>(5,538)</b>	(3,866)
Total attributable income		<b>24,343</b>	5,979	<b>40,630</b>	12,553
Income attributable to depositors	l	<b>(17,856)</b>	(3,845)	<b>(27,938)</b>	(7,444)
Total net income		<b>6,487</b>	2,134	<b>12,692</b>	5,109
Other operating expenses	n	<b>(5,143)</b>	(3,278)	<b>(10,097)</b>	(6,659)
Profit/ (Loss) before taxation		<b>1,344</b>	(1,144)	<b>2,595</b>	(1,550)
Income tax income		<b>(398)</b>	(26)	<b>(618)</b>	(26)
Profit/ (Loss) after taxation		<b>946</b>	(1,170)	<b>1,977</b>	(1,576)
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Net loss on revaluation of AFS securities		-	599	-	232
Net fair value changes in debt instruments at fair value through other comprehensive income		<b>(3)</b>	-	<b>(29)</b>	-
Income tax effect		<b>1</b>	(143)	<b>7</b>	(55)
Total other comprehensive income for the period, net of tax		<b>(2)</b>	456	<b>(22)</b>	177
Total comprehensive profit for the period		<b>944</b>	(714)	<b>1,955</b>	(1,399)

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 2017.



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**37. ISLAMIC BANKING OPERATIONS (cont'd.)****CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS****FOR THE PERIOD ENDED 30 JUNE 2018**

	Capital fund RM'000	Fair value through other comprehensive RM'000	Net unrealised reserves on AFS securities RM'000	Accumulated profit/ (losses) RM'000	Total RM'000
<b>2018</b>					
At 1 January 2018	450,000	-	(81)	(518)	449,401
As previously stated					
Effect of adopting MFRS 9 <i>Financial instruments</i>	-	(81)	81	-	-
At 1 January 2018, as restated	450,000	(81)	-	(518)	449,401
Profit for the period	-	-	-	1,977	1,977
Other comprehensive loss	-	(22)	-	-	(22)
Total comprehensive income	-	(22)	-	1,977	1,955
At 30 June 2018	450,000	(103)	-	1,459	451,356

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS  
FOR THE PERIOD ENDED 30 JUNE 2018**

	<b>Capital fund RM'000</b>	<b>Net unrealised reserves on AFS securities RM'000</b>	<b>Accumulated losses RM'000</b>	<b>Total RM'000</b>
2017				
At 1 January 2017	450,000	(353)	(406)	449,241
Loss for the period	-	-	(112)	(112)
Other comprehensive income	-	272	-	272
Total comprehensive income	-	272	(112)	160
At 31 December 2017	450,000	(81)	(518)	449,401

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 2017.

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2018**

	<b>30-Jun-18</b>	30-Jun-17
	<b>RM'000</b>	RM'000
Profit/ (Loss) before taxation	<b>2,595</b>	(1,550)
Adjustments for non-operating and non-cash items	<b>8,771</b>	2,803
Operating profit before working capital changes	<b>11,366</b>	1,253
Changes in working capital:		
Net changes in operating assets	<b>(886,777)</b>	(171,106)
Net changes in operating liabilities	<b>1,567,762</b>	52,184
Net cash generated/(used in) from operating activities	<b>692,351</b>	(117,669)
Net cash generated from investing activities	<b>877</b>	1,136
Net cash generated from financing activities	<b>-</b>	-
Net increase/(decrease) in cash and cash equivalents	<b>693,228</b>	(116,533)
Cash and cash equivalents at beginning of the period	<b>179,447</b>	763,688
Cash and cash equivalents at end of the period	<b>872,675</b>	647,155
<b>Analysis of cash and cash equivalents</b>		
Cash and short term funds	<b>872,675</b>	647,155

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 2017.

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

**a. Cash and short-term funds**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>94,111</b>	17,447
Money at call and deposit placements maturing within one month	<b>779,000</b>	162,000
Less: Allowances for impairment losses	<b>(436)</b>	-
	<b><u>872,675</u></b>	<u>179,447</u>

**b. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")/ Available-for-sale ("AFS") securities**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b>Money market instruments</b>		
Government Islamic investment	<b>30,021</b>	30,126
Less: Allowance for ECL	<b>(149)</b>	-
<b>Total FVOCI/ AFS</b>	<b><u>29,872</u></b>	<u>30,126</u>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**  
**EXPLANATORY NOTES**

**c. Financing, advances and others**

**(i) Financing by type of Shariah contract:**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000

**Tawarruq**

Term financing and revolving credits

- Housing financing	881,532	381,834
- Others term financing	806,431	453,810
Claim on customers under acceptance credits	21,120	15,508
Gross financing, advances and others	<b>1,709,083</b>	851,152

Allowance for ECL/ impairment on financing,  
advances and others

- Individual impairment	-	(201)
- Collective impairment	-	(8,855)
- Allowance for ECL	<b>(12,566)</b>	-
Net financing, advances and others	<b>1,696,517</b>	842,096

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Maturing within one year	125,340	80,884
One year to three years	2,376	2,847
Three years to five years	86,796	98,974
Over five years	1,494,571	668,447
	<b>1,709,083</b>	851,152

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**

**EXPLANATORY NOTES**

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

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Domestic business enterprises		
- Small medium enterprises	<b>388,573</b>	284,427
- Others	<b>318,768</b>	120,005
Individuals	<b>930,589</b>	417,428
Foreign entities	<b>71,153</b>	29,292
	<b><u>1,709,083</u></b>	<u>851,152</u>

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Fixed rate		
- Other fixed rate financing	<b>21,120</b>	15,508
Variable rates:		
- Base rate/base financing rate-plus	<b>1,317,675</b>	674,884
- Cost-plus	<b>370,288</b>	160,760
	<b><u>1,709,083</u></b>	<u>851,152</u>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**

**EXPLANATORY NOTES**

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

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Agriculture	<b>10,029</b>	-
Manufacturing	<b>109,334</b>	82,408
Electricity, gas and water	<b>61,601</b>	-
Construction	<b>75,370</b>	45,777
Wholesale, retail trade, restaurants and hotels	<b>261,723</b>	122,798
Transport, storage and communication	<b>20,949</b>	25,884
Finance, insurance and business services	<b>93,255</b>	61,589
Real estate	<b>70,442</b>	63,285
Community, social and personal services	<b>4,638</b>	2,691
Households		
- purchase of residential properties	<b>887,679</b>	386,280
- purchase of non residential properties	<b>73,439</b>	31,923
- others	<b>40,625</b>	28,516
	<b><u>1,709,083</u></b>	<u>851,152</u>

**(vi) Movements in impaired financing, advances and others are as follows:**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
As at 1 January	<b>703</b>	-
Classified as impaired during the period	<b>2,004</b>	703
As at 31 December	<b><u>2,707</u></b>	<u>703</u>
Allowance for ECL on credit impaired/ individual impairment	<b><u>(319)</u></b>	<u>(201)</u>
Net impaired financing, advances and others	<b><u>2,388</u></b>	<u>502</u>
Ratio of net impaired financing, advances and others to gross financing, advances and others less allowance for ECL on credit impaired/ individual impairment	<b><u>0.1%</u></b>	<u>0.1%</u>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**

**EXPLANATORY NOTES**

**c. FINANCING, ADVANCES AND OTHERS (cont'd.)**

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

	<b>30-Jun-18</b>	31-Dec-17
Households:		
- purchase of residential properties	<u><b>2,707</b></u>	<u>703</u>

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
In Malaysia	<u><b>2,707</b></u>	<u>703</u>



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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**

**EXPLANATORY NOTES**

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

**(ix) Movements in allowance for impairment on financing,  
advances and others are as follows:**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b><u>Collective impairment</u></b>		
As at 1 January	-	80
Impairment loss made during the period	-	8,775
As at 31 December	<u>-</u>	<u>8,855</u>
	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Individual Impairment</u></b>		
As at 1 January	-	-
Impairment loss during the period/year	-	204
Profit recognised on impaired financing	-	(3)
As at 31 December	<u>-</u>	<u>201</u>
<b>d. Other assets</b>		
	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Other receivables, deposits and prepayments	<b>30</b>	-
Profit receivables	<b>739</b>	297
	<u><b>769</b></u>	<u>297</u>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)  
EXPLANATORY NOTES****e. Movements in loss allowance for expected credit loss****(a) Other financial assets:****Cash and Short term funds and Debt instruments at FVOCI**

	<b>12 months ECL RM'000</b>	<b>Lifetime (not credit impaired) ECL RM'000</b>	<b>Lifetime (credit impaired) ECL RM'000</b>	<b>Total RM'000</b>
As at 31 December 2017	118	110	-	228
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	-	-
As at 1 January 2018, restated	<u>118</u>	<u>110</u>	<u>-</u>	<u>228</u>
<u>Movements with P&amp;L impact:</u>				
(i) Additional ECL during the period	<b>545</b>	<b>583</b>	-	<b>1,128</b>
(ii) Maturity/settlement/reduction in ECL during the period	<b>(166)</b>	<b>(605)</b>	-	<b>(771)</b>
As at 30 June 2018	<u><b>497</b></u>	<u><b>88</b></u>	<u>-</u>	<u><b>586</b></u>

**(b) Contingent Liabilities and Commitments**

	<b>12 months ECL RM'000</b>	<b>Lifetime (not credit impaired) ECL RM'000</b>	<b>Lifetime (credit impaired) ECL RM'000</b>	<b>Total RM'000</b>
As at 31 December 2017	2,207	9	-	2,216
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	-	-
As at 1 January 2018, restated	<u>2,207</u>	<u>9</u>	<u>-</u>	<u>2,216</u>
<u>Movements with P&amp;L impact:</u>				
(i) Transfer to 12-months ECL				
(a) Stage 2 to Stage 1	<b>19</b>	<b>(22)</b>	-	<b>(3)</b>
(ii) Transferred to Lifetime ECL (not credit impaired)				
(a) Stage 1 to Stage 2	<b>(1)</b>	<b>33</b>	-	<b>31</b>
(i) Additional ECL during the period	<b>5,366</b>	-	-	<b>5,366</b>
(ii) Maturity/settlement/reduction in ECL during the period	<b>(6,177)</b>	<b>(18)</b>	-	<b>(6,194)</b>
As at 30 June 2018	<u><b>1,414</b></u>	<u><b>2</b></u>	<u>-</u>	<u><b>1,416</b></u>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)****EXPLANATORY NOTES****Movements in loss allowance for expected credit loss (cont'd.)****(c) Financing, advances and others**

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Collective Impairment RM'000	Individual Impairment RM'000	Total RM'000
As at 31 December 2017	-	-	-	8,855	201	9,056
Effect of adopting MFRS 9						
<i>Financial Instruments</i>	4,678	1,733	201	(8,855)	(201)	(2,444)
As at 1 January 2018, restated	<b>4,678</b>	<b>1,733</b>	<b>201</b>	-	-	<b>6,612</b>
<u>Movements with P&amp;L impact:</u>						
(i) Transfer to 12-month ECL						
(a) Stage 2 to Stage 1	141	(2,933)	-	-	-	(2,792)
(ii) Transferred to Lifetime ECL (not credit impaired)						-
(a) Stage 1 to Stage 2	(146)	4,296	-	-	-	4,151
(iii) Transferred to Lifetime ECL (credit impaired)						-
(b) Stage 2 to Stage 3	-	(36)	250	-	-	214
(vi) New/additional ECL during the period	28,032	1,277	-	-	-	29,309
(v) Maturity/settlement/reduction in ECL during the	(24,735)	(61)	(132)	-	-	(24,928)
As at 30 June 2018	<b>7,970</b>	<b>4,277</b>	<b>319</b>	-	-	<b>12,566</b>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**  
**EXPLANATORY NOTES**

**f. Deposits from customers**

**(i) By type of deposits:**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b><u>Non-Mudharabah fund</u></b>		
Demand deposits		
- Qard	<b>95,136</b>	92,395
Savings deposits		
- Qard	<b>10,897</b>	7,911
Fixed deposits		
- Tawarruq	<b>1,459,813</b>	496,423
Other deposits		
- Tawarruq	<b>383,309</b>	3,650
	<b><u>1,949,155</u></b>	<u>600,379</u>

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Due within six months	<b>1,001,794</b>	409,129
Six months to one year	<b>443,018</b>	87,294
Three years to five years	<b>15,001</b>	-
	<b><u>1,459,813</u></b>	<u>496,423</u>

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Business enterprises	<b>901,466</b>	453,782
Individuals	<b>296,129</b>	78,143
Others	<b>751,560</b>	68,454
	<b><u>1,949,155</u></b>	<u>600,379</u>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**  
**EXPLANATORY NOTES**

**g. Deposits and placements of banks and other financial institutions**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b><u>Non-Mudharabah fund</u></b>		
Other financial institutions	<b>212,396</b>	4,711
	<b>212,396</b>	4,711

**h. Other liabilities**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Allowance for ECL	<b>1,416</b>	-
Accrued profit payable	<b>13,371</b>	4,281
Accruals and provisions for operational expenses	<b>1,929</b>	1,168
	<b>16,716</b>	5,449

**i. Islamic Banking funds**

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Capital fund	<b>450,000</b>	450,000
Net unrealised reserves on AFS securities	<b>(103)</b>	(81)
Retained profits/ (Accumulated losses)	<b>1,459</b>	(518)
	<b>451,356</b>	449,401

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**  
**EXPLANATORY NOTES**

**j. Income derived from depositors' funds**

	Second quarter ended		Six months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
<b><u>Finance income and hibah</u></b>				
Financing, advances and others	7,522	2,283	13,027	3,889
Money at call and deposit placements with financial institutions	5,583	2,669	8,649	5,315
	<b>13,105</b>	<b>4,952</b>	<b>21,676</b>	<b>9,204</b>

**k. Income derived from investment of Islamic Banking funds**

	Second quarter ended		Six months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
<b><u>Finance income and hibah</u></b>				
Financing, advances and others	10,400	434	17,228	448
Money at call and deposit placements with financial institutions	1,495	2,503	2,655	5,241
AFS securities	228	229	454	456
	<b>12,123</b>	<b>3,166</b>	<b>20,337</b>	<b>6,145</b>
<b><u>Other operating income</u></b>				
Trading income	86	590	187	615
Commision income	1,294	167	2,560	217
Fee income	617	198	1,402	236
Others	4	1	6	2
	<b>14,124</b>	<b>4,122</b>	<b>24,492</b>	<b>7,215</b>

**l. Income attributable to depositors**

	Second quarter ended		Six months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Income attributable to depositors from non-mudharabah fund	17,856	3,845	27,938	7,444

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**  
**EXPLANATORY NOTES**

**m. Allowance for expected credit losses**

	Second quarter ended		Six months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
a Financing, advances and others				
- Expected credit losses (non-credit impaired)	3,434	-	5,836	-
- Expected credit losses (credit impaired)	(33)	-	144	-
- Individual impairment	-	-	-	-
- Collective impairment	-	3,095	-	3,866
	<b>3,401</b>	<b>3,095</b>	<b>5,980</b>	<b>3,866</b>
b Other financial assets:				
Placement with banks and other financial institutions, and other assets	61	-	209	-
Debt instruments measured at FVOCI	149	-	149	-
	<b>210</b>	<b>-</b>	<b>358</b>	<b>-</b>
c Commitments and contingencies	<b>(725)</b>	<b>-</b>	<b>(800)</b>	<b>-</b>
<b>Total</b>	<b>2,886</b>	<b>3,095</b>	<b>5,538</b>	<b>3,866</b>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**  
**EXPLANATORY NOTES**

n. Other operating expenses	Second quarter ended		Six Months Ended ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Personnel expenses	504	188	973	595
Establishment related expenses	127	53	222	88
Promotion and marketing related expenses	-	2	10	2
General administrative expenses	4,512	3,035	8,892	5,974
	<b>5,143</b>	<b>3,278</b>	<b>10,097</b>	<b>6,659</b>
Personnel expenses				
- Wages, salaries and bonus	389	163	758	468
- Defined contribution plan	26	23	120	107
- Other employee benefits	89	2	95	20
	<b>504</b>	<b>188</b>	<b>973</b>	<b>595</b>
Establishment related expenses				
- Depreciation of property, plant and equipment	4	4	8	8
- Repair and maintenance	-	2	2	4
- Rental of premises	3	3	6	6
- Others	120	44	206	70
	<b>127</b>	<b>53</b>	<b>222</b>	<b>88</b>
Promotion and marketing related expenses				
- Advertisement and publicity	-	2	10	2
General administrative expenses				
- Fees and commissions paid	90	69	168	133
- Management fee	4,411	2,884	8,652	5,739
- Others	11	82	72	102
	<b>4,512</b>	<b>3,035</b>	<b>8,892</b>	<b>5,974</b>



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**37. ISLAMIC BANKING OPERATIONS (cont'd.)**  
**EXPLANATORY NOTES**

**o. Commitments and contingencies**

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
<b>As at 30 June 2018</b>			
Direct credit substitutes	11,686	11,686	5,206
Transaction-related contingent items	15,885	7,942	8,152
Short-term self-liquidating trade-related contingencies			
Foreign exchange related contracts			
- less than one year	2,474	37	31
Undrawn credit facility			
- less than one year	94,819	-	-
- more than one year	895,969	519,150	110,769
<b>Total</b>	<b>1,020,833</b>	<b>538,815</b>	<b>124,158</b>
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
<b>As at 31 December 2017</b>			
Direct credit substitutes	7,134	7,134	4,522
Transaction-related contingent items	11,096	5,548	6,343
Undrawn credit facility			
- less than one year	84,534	750	838
- more than one year	590,785	371,644	167,159
<b>Total</b>	<b>693,549</b>	<b>385,076</b>	<b>178,862</b>

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

**p. Capital management and capital adequacy**

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
Capital fund	<b>450,000</b>	450,000
Accumulated losses	<b>(518)</b>	(518)
Other reserves	<b>(103)</b>	(81)
Regulatory adjustments applied in the calculation of CET1 Capital	<b>(112)</b>	(144)
Total CET1/Tier 1 Capital	<b><u>449,267</u></b>	<u>449,257</u>
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	<b>5,083</b>	1,523
- Collective impairment provisions	<b>3</b>	2
Total Tier 2 Capital	<b><u>5,086</u></b>	<u>1,525</u>
Total Capital	<b><u>454,353</u></b>	<u>450,782</u>

**(a) The capital adequacy ratios are as follows:**

	<b>30-Jun-18</b>	<b>31-Dec-17</b>
CET1/Tier 1 Capital	<b>47.962%</b>	73.643%
Total Capital	<b><u>48.505%</u></b>	<u>73.893%</u>

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

	<b>30-Jun-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>892,852</b>	583,283
Total RWA for operational risk	<b>43,858</b>	26,768
	<b><u>936,710</u></b>	<u>610,051</u>