

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 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 31 MARCH 2018**

	Notes	Group		Bank	
		31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
<b>ASSETS</b>					
Cash and short-term funds	11	<b>6,393,214</b>	8,438,916	<b>6,393,214</b>	8,438,916
Securities purchased under resale agreements		<b>2,688,096</b>	1,079,420	<b>2,688,096</b>	1,079,420
Deposits and placements with financial institutions	12	<b>1,300,000</b>	150,000	<b>1,300,000</b>	150,000
Financial assets at fair value through profit or loss ("FVTPL")	13	<b>3,545,224</b>	229,455	<b>3,545,224</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>11,065,443</b>	-	<b>11,065,443</b>	-
Equity instruments at fair value through other comprehensive income ("FVOCI")	16	<b>140,276</b>	-	<b>140,276</b>	-
Loans, advances and financing	17	<b>78,003,754</b>	77,561,301	<b>78,111,257</b>	77,675,030
Derivative financial assets	18	<b>664,917</b>	592,160	<b>664,917</b>	592,160
Other assets	19	<b>440,549</b>	475,474	<b>446,791</b>	478,961
Statutory deposits with Bank Negara Malaysia		<b>2,010,529</b>	1,802,204	<b>2,010,529</b>	1,802,204
Investment in subsidiaries		-	-	<b>120,040</b>	120,040
Investment in an associate		<b>9,908</b>	9,854	<b>13,522</b>	13,522
Property, plant and equipment		<b>571,260</b>	561,281	<b>243,335</b>	239,757
Deferred tax assets		<b>74,222</b>	88,336	<b>74,222</b>	88,336
<b>Total assets</b>		<b>106,907,392</b>	101,997,928	<b>106,816,866</b>	101,917,328
<b>LIABILITIES</b>					
Deposits from customers	20	<b>85,369,192</b>	83,388,785	<b>85,375,583</b>	83,404,659
Deposits and placements of banks and other financial institutions	21	<b>7,052,163</b>	4,401,690	<b>7,052,193</b>	4,401,720
Bills and acceptances payable		<b>296,021</b>	232,173	<b>296,021</b>	232,173
Derivative financial liabilities	18	<b>674,734</b>	601,266	<b>674,734</b>	601,266
Other liabilities	22	<b>2,219,631</b>	2,429,544	<b>2,218,078</b>	2,427,659
Tax payable		<b>136,159</b>	126,506	<b>134,920</b>	125,433
Deferred tax liabilities		<b>13,758</b>	13,758	-	-
Subordinated bonds	23	<b>1,501,890</b>	1,502,702	<b>1,501,890</b>	1,502,702
<b>Total liabilities</b>		<b>97,263,548</b>	92,696,424	<b>97,253,419</b>	92,695,612

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**AS AT 31 MARCH 2018**

	Notes	Group		Bank	
		31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>					
Share capital		792,555	792,555	792,555	792,555
Reserves		8,851,289	8,508,949	8,770,892	8,429,161
<b>Total equity</b>		<b>9,643,844</b>	9,301,504	<b>9,563,447</b>	9,221,716
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>106,907,392</b>	101,997,928	<b>106,816,866</b>	101,917,328
<b>Commitments and contingencies</b>	33	<b>97,797,812</b>	97,110,150	<b>97,374,208</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 31 MARCH 2018**

Group	Notes	First Quarter Ended		Three Months Ended	
		31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Operating revenue	25	<b>1,433,418</b>	1,350,527	<b>1,433,418</b>	1,350,527
Interest income	26	<b>1,179,563</b>	1,148,267	<b>1,179,563</b>	1,148,267
Interest expense	27	<b>(682,135)</b>	(649,562)	<b>(682,135)</b>	(649,562)
Net interest income		<b>497,428</b>	498,705	<b>497,428</b>	498,705
Net income from Islamic					
Banking operations	36	<b>8,857</b>	3,746	<b>8,857</b>	3,746
Other operating income	28	<b>238,808</b>	199,503	<b>238,808</b>	199,503
Operating income		<b>745,093</b>	701,954	<b>745,093</b>	701,954
Other operating expenses	29	<b>(273,548)</b>	(243,118)	<b>(273,548)</b>	(243,118)
Operating profit before allowance for impairment on loans, advances and financing/ allowance for expected credit losses		<b>471,545</b>	458,836	<b>471,545</b>	458,836
Allowance for impairment on loans, advances and financing		-	(75,919)	-	(75,919)
Allowance for expected credit losses on:					
Financial assets measured at amortised cost	30	<b>(9,572)</b>	-	<b>(9,572)</b>	-
Financial assets measured at FVOCI	30	<b>(19,842)</b>	-	<b>(19,842)</b>	-
Commitments and contingencies	30	<b>(10,048)</b>	892	<b>(10,048)</b>	892
		<b>432,083</b>	383,809	<b>432,083</b>	383,809
Share of net profit of an associate		<b>54</b>	56	<b>54</b>	56
Profit before taxation		<b>432,137</b>	383,865	<b>432,137</b>	383,865
Income tax expense		<b>(107,065)</b>	(92,278)	<b>(107,065)</b>	(92,278)
Profit for the year attributable to equity holders of the Bank		<b>325,072</b>	291,587	<b>325,072</b>	291,587
Basic/diluted earnings per share (sen)		<b>69.2</b>	62.0	<b>69.2</b>	62.0

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 31 MARCH 2018**

Bank	Notes	First Quarter Ended		Three Months Ended	
		31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Operating revenue	25	<b>1,434,670</b>	1,354,387	<b>1,434,670</b>	1,354,387
Interest income	26	<b>1,180,776</b>	1,150,246	<b>1,180,776</b>	1,150,246
Interest expense	27	<b>(682,162)</b>	(649,580)	<b>(682,162)</b>	(649,580)
Net interest income		<b>498,614</b>	500,666	<b>498,614</b>	500,666
Net income from Islamic					
Banking operations	34	<b>8,857</b>	3,746	<b>8,857</b>	3,746
Other operating income	28	<b>238,847</b>	201,380	<b>238,847</b>	201,380
Operating income		<b>746,318</b>	705,792	<b>746,318</b>	705,792
Other operating expenses	29	<b>(275,461)</b>	(245,086)	<b>(275,461)</b>	(245,086)
Operating profit before allowance for impairment on loans, advances and financing/ allowance for expected credit losses		<b>470,857</b>	460,706	<b>470,857</b>	460,706
Allowance for impairment on loans, advances and financing		-	(75,900)	-	(75,900)
Allowance for expected credit losses on:					
Financial assets measured at amortised cost	30	<b>(9,799)</b>	-	<b>(9,799)</b>	-
Financial assets measured at FVOCI	30	<b>(19,842)</b>	-	<b>(19,842)</b>	-
Commitments and contingencies	30	<b>(10,048)</b>	892	<b>(10,048)</b>	892
Profit before taxation		<b>431,167</b>	385,698	<b>431,167</b>	385,698
Income tax expense		<b>(106,705)</b>	(91,918)	<b>(106,705)</b>	(91,918)
Profit for the year attributable to equity holders of the Bank		<b>324,462</b>	293,780	<b>324,462</b>	293,780
Basic/diluted earnings per share (sen)		<b>69.0</b>	62.5	<b>69.0</b>	62.5

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

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2018**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Profit for the period	<b>325,072</b>	291,587	<b>325,072</b>	291,587
<b>Other comprehensive income</b>				
<u>Items that will be reclassified to</u> <u>income statements:</u>				
Net fair value changes in AFS securities	-	8,607	-	8,607
Net fair value changes in debt instruments at fair value through other comprehensive income	<b>22,961</b>	-	<b>22,961</b>	-
Income tax effect	<b>(5,511)</b>	(2,066)	<b>(5,511)</b>	(2,066)
	<b>17,450</b>	6,541	<b>17,450</b>	6,541
<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>(240)</b>	-	<b>(240)</b>	-
Income tax effect	<b>58</b>	-	<b>58</b>	-
	<b>(182)</b>	-	<b>(182)</b>	-
Total other comprehensive income for the period, net of tax	<b>17,268</b>	6,541	<b>17,268</b>	6,541
Total comprehensive income for the period attributable to equity holders of the Bank	<b>342,340</b>	298,128	<b>342,340</b>	298,128

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 COMPREHENSIVE INCOME (cont'd.)  
FOR THE PERIOD ENDED 31 MARCH 2018**

	First Quarter		Three Months	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
<b>Bank</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the period	<b>324,462</b>	293,780	<b>324,462</b>	293,780
<b>Other comprehensive income</b>				
<u>Items that will be reclassified to</u> <u>income statements:</u>				
Net fair value changes in AFS securities	-	8,607	-	8,607
Net fair value changes in debt instruments at fair value through other comprehensive income	<b>22,961</b>	-	<b>22,961</b>	-
Income tax effect	<b>(5,511)</b>	(2,066)	<b>(5,511)</b>	(2,066)
	<b>17,450</b>	6,541	<b>17,450</b>	6,541
<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>(240)</b>	-	<b>(240)</b>	-
Income tax effect	<b>58</b>	-	<b>58</b>	-
	<b>(182)</b>	-	<b>(182)</b>	-
Total other comprehensive income for the period, net of tax	<b>17,268</b>	6,541	<b>17,268</b>	6,541
Total comprehensive income for the period attributable to equity holders of the Bank	<b>341,730</b>	300,321	<b>341,730</b>	300,321

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

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2018**

GROUP	← Non-distributable		Distributable →		Retained profits	Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Net unrealised reserves on AFS securities		
	RM'000	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 <i>Financial Instruments</i>	-	-	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	-	-	-	-	325,072	325,072
Other comprehensive income	-	-	17,268	-	-	17,268
Total comprehensive income	-	-	17,268	-	325,072	342,340
At 31 March 2018	792,555	146,736	118,305	-	8,586,248	9,643,844

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**

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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)  
FOR THE PERIOD ENDED 31 MARCH 2017**

<b>GROUP (cont'd.)</b>	← 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	-	-	-	-	-	291,587	291,587
Other comprehensive income	-	-	-	-	6,541	-	6,541
Total comprehensive income	-	-	-	-	6,541	291,587	298,128
At 31 March 2017	470,000	322,555	470,000	146,736	63,570	7,324,251	8,797,112

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**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 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 <i>Financial Instruments</i>	-	94,135	(94,135)	-	-
At 1 January 2018, as restated	792,555	94,135	-	8,335,026	9,221,716
Profit for the year	-	-	-	324,462	324,462
Other comprehensive income	-	17,268	-	-	17,268
Total comprehensive income	-	17,268	-	324,462	341,730
At 31 March 2018	792,555	111,403	-	8,659,488	9,563,446

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**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)  
FOR THE PERIOD ENDED 31 MARCH 2017**

<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 year	-	-	-	-	293,780	293,780
Other comprehensive income	-	-	-	6,541	-	6,541
Total comprehensive income	-	-	-	6,541	293,780	300,321
At 31 March 2017	470,000	322,555	470,000	56,668	7,390,899	8,710,122

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 31 MARCH 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	31-Mar-17	<b>31-Mar-18</b>	31-Mar-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before taxation	<b>432,137</b>	383,865	<b>431,167</b>	385,698
Adjustments for non-operating and non-cash items	<b>(6,967)</b>	99,701	<b>(11,823)</b>	95,723
Operating profit before working capital changes	<b>425,170</b>	483,566	<b>419,344</b>	481,421
Changes in working capital:				
Net changes in operating assets	<b>(5,623,734)</b>	(936,002)	<b>(5,617,606)</b>	(935,237)
Net changes in operating liabilities	<b>4,498,201</b>	2,321,112	<b>4,489,050</b>	2,319,934
Tax expense paid	<b>(88,751)</b>	(98,933)	<b>(88,557)</b>	(98,077)
Net cash generated from operating activities	<b>(789,114)</b>	1,769,743	<b>(797,769)</b>	1,768,041
Net cash used in investing activities	<b>(105,776)</b>	(3,152,710)	<b>(97,121)</b>	(3,151,008)
Net cash used in financing activities	<b>(812)</b>	(585)	<b>(812)</b>	(585)
Net decrease in cash and cash equivalents	<b>(895,702)</b>	(1,383,552)	<b>(895,702)</b>	(1,383,552)
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>7,693,214</b>	11,011,288	<b>7,693,214</b>	11,011,288
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>6,393,214</b>	10,422,188	<b>6,393,214</b>	10,422,188
Deposits and placements with financial institutions	<b>1,300,000</b>	589,100	<b>1,300,000</b>	589,100
	<b>7,693,214</b>	11,011,288	<b>7,693,214</b>	11,011,288

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 to 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
- Fair value through profit and loss (inclusive of held of trading, designated and mandatory)

The classification and measurements of the financial assets depend on the Group's and Bank's business model in managing the assets and assessment of the instruments' contractual cash flow. Business model reflects how financial assets are managed to generate cash flows. It is determined at a portfolio level and not instrument by instrument. Contractual cash flows of a financial asset is solely payments of principal and interest ("SPPI") if they give rise on specified dates to payments of principal and interest on the principal outstanding and interest reflects the time value of money and credit risk of the assets. The following summaries the key changes:

- i) Available-for-sales and loans and receivables for financial assets categories are removed.
- ii) New classification categories were introduced:
  - a) Fair value through other comprehensive income ("FVOCI") applies to debt instruments with contractual cash flow characteristic that are solely payments of principal and interest and business model whose objective is to both collect contractual cash flow and selling of financial assets.
  - b) Amortised cost ("AC") applies to debt instruments with contractual cash flow characteristic that are solely payments of principal and interest and business model whose objective is to hold to collect contractual cash flow.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**EXPLANATORY NOTES****1. BASIS OF PREPARATION (cont'd.)****(a) Changes in accounting policies (cont'd.)**

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

Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income (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 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 life of the asset.

The Group and the Bank have grouped its 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 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.

**(b) Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liability 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	
		Original (MFRS 139)	New (MFRS 9)	Original (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
Deposit and placements with financial institutions	1	Loans and receivables	Amortised cost	150,000	150,000

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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	
		Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
<b>Financial assets (cont'd.)</b>					
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	475,474	472,601
Derivatives 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>					
Deposit from customers		Amortised cost	Amortised cost	83,388,785	83,388,785
Bills and acceptances payables		Amortised cost	Amortised cost	232,173	232,173
Derivatives financial liabilities		Fair value through profit or loss	Fair value through profit or loss	601,266	601,266
Other liabilities		Amortised cost	Amortised cost	2,429,544	2,517,829
Subordinated bonds		Amortised cost	Amortised cost	1,502,702	1,502,702

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

Bank	Note	Measurement category		Carrying amount as at 1 January 2018	
		Original (MFRS 139)	New (MFRS 9)	Original (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
Deposit 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
Other assets		Loans and receivables	Amortised cost	478,961	476,088
Derivatives 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>					
Deposit from customers		Amortised cost	Amortised cost	83,404,659	83,404,659
Bills and acceptances payables		Amortised cost	Amortised cost	232,173	232,173
Derivatives financial liabilities		Fair value through profit or loss	Fair value through profit or loss	601,266	601,266



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

	Measurement category		Carrying amount as at 1 January 2018	
	Original Note (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
<b>Bank</b>				
<b>Financial Liabilities (con'td.)</b>				
Other liabilities	Amortised cost	Amortised cost	2,427,659	2,515,944
Subordinated bonds	Amortised cost	Amortised cost	1,502,702	1,502,702

- 1 Cash and short term funds, securities purchased under resale agreement, deposit 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 a business model 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 Bank have elected to apply fair value through other comprehensive income option for its 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	Original (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	Original (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 (con'td.)</b>			
<b>Other assets</b>				
Opening balance under MFRS 139	475,474	-	-	475,474
Remeasurement: ECL	-	-	(2,873)	(2,873)
Closing balance under MFRS 9	475,474	-	(2,873)	472,601
<b>Total changes to financial assets balance</b>	<b>100,516,842</b>	<b>-</b>	<b>88,285</b>	<b>100,605,127</b>
<b>Financial liabilities</b>				
<b>Other liabilities</b>				
Opening balance under MFRS 139	2,429,544	-	-	2,429,544
Remeasurement: ECL	-	-	88,285	88,285
Closing balance under MFRS 9	2,429,544	-	88,285	2,517,829
<b>Total change to financial liabilities balance</b>	<b>2,429,544</b>	<b>-</b>	<b>88,285</b>	<b>2,517,829</b>
<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>	<b>8,362,213</b>	<b>-</b>	<b>-</b>	<b>8,362,213</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.)**

Bank	Original (MFRS 139)	Reclassification	Remeasurement	New (MFRS 9)
	Carrying amount 31 December 2017 RM'000			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	77,675,030	-	-	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	478,961	-	-	478,961
Remeasurement: ECL	-	-	(2,873)	(2,873)
Closing balance under MFRS 9	478,961	-	(2,873)	476,088
<b>Total changes to financial assets balance</b>	100,634,058	-	88,285	100,722,343

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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.)**

	Original (MFRS 139)			New (MFRS 9)
	Carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	Carrying amount 1 January 2018 RM'000
<b>Bank</b>				
<b>Financial assets (cont'd.)</b>				
<b>Financial liabilities</b>				
<b>Other liabilities</b>				
Opening balance under MFRS 139	2,427,659	-	-	2,427,659
Remeasurement: ECL	-	-	88,285	88,285
Closing balance under MFRS 9	2,427,659	-	88,285	2,515,944
<b>Total change to financial liabilities balance</b>	2,427,659	-	88,285	2,515,944
<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>	8,429,161	-	-	8,429,161

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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>			
	17,111	88,285	105,396
<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>			
	17,111	88,285	105,396
<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 31 March 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 31 March 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 31 March 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.

**8. DIVIDENDS**

There were no dividend paid for the financial period ended 31 March 2018.

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**EXPLANATORY NOTES**

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

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

**10. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group for the financial period ended 31 March 2018.



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**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>	
	<b>31-Mar-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>820,552</b>	576,916
Money at call and deposit placements maturing within one month	<b>5,595,018</b>	7,862,000
Less: Allowance for ECL	<b>(22,356)</b>	-
	<b>6,393,214</b>	<b>8,438,916</b>

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

	<b>Group and Bank</b>	
	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>1,100,000</b>	150,000
Bank Negara Malaysia	<b>200,000</b>	-
	<b>1,300,000</b>	<b>150,000</b>

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

	<b>Group and Bank</b>	
	<b>31-Mar-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>2,151,064</b>	-
Malaysian Government treasury bills	<b>19,981</b>	29,415
Malaysian Government securities	<b>214,026</b>	-
Negotiable instruments of deposits	<b>1,160,153</b>	200,040
	<b>3,545,224</b>	<b>229,455</b>

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**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>	
	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<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/31 March	<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>31-Mar-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	55,236	-
Malaysian Government securities	5,895,274	-
Negotiable instruments of deposits	3,482,413	-
Cagamas bonds	1,508,044	-
Less: Allowance for ECL	(24,429)	-
	<u>10,916,538</u>	<u>-</u>
<b>Private debt securities of companies incorporated</b>		
In Malaysia		
Quoted corporate bonds	192,277	-
Less: Allowance for ECL	(43,648)	-
	<u>148,629</u>	<u>-</u>
<b>Unquoted securities</b>		
Private debt securities	276	-
	<u>276</u>	<u>-</u>
<b>Total debt instruments at FVOCI</b>	<u>11,065,443</u>	<u>-</u>

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

	<b>Group and Bank</b>	
	<b>31-Mar-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	2,329	-
<b>Unquoted securities</b>		
Shares of corporations in Malaysia	137,947	-
<b>Total equity instruments at FVOCI</b>	<u>140,276</u>	<u>-</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Overdrafts	<b>3,208,816</b>	3,186,510	<b>3,208,816</b>	3,186,510
Term loans/financing and revolving credits				
- Housing loans/financing	<b>29,751,026</b>	29,291,401	<b>29,751,026</b>	29,291,401
- Syndicated term loans/financing	<b>574,559</b>	544,209	<b>574,559</b>	544,209
- Other term loans/financing	<b>34,965,695</b>	34,922,311	<b>35,074,333</b>	35,036,948
Credit card receivables	<b>2,528,892</b>	2,600,791	<b>2,528,892</b>	2,600,791
Bills receivables	<b>610,718</b>	1,178,127	<b>610,718</b>	1,178,127
Trust receipts	<b>2,322,046</b>	2,184,802	<b>2,322,046</b>	2,184,802
Claims on customers under acceptance credits	<b>5,531,955</b>	5,270,115	<b>5,531,955</b>	5,270,115
Staff loans	<b>37,834</b>	39,057	<b>37,834</b>	39,057
Others	<b>13,486</b>	12,050	<b>13,485</b>	12,050
	<b>79,545,027</b>	79,229,373	<b>79,653,664</b>	79,344,010
Unearned interest/income	<b>(137,573)</b>	(129,980)	<b>(137,573)</b>	(129,980)
<b>Gross loans, advances and financing</b>	<b>79,407,454</b>	79,099,393	<b>79,516,091</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>(1,403,700)</b>	-	<b>(1,404,834)</b>	-
<b>Net loans, advances and financing</b>	<b>78,003,754</b>	77,561,301	<b>78,111,257</b>	77,675,030

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

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>22,513,482</b>	22,606,194	<b>22,513,482</b>	22,606,194
One year to three years	<b>4,352,000</b>	4,079,050	<b>4,460,637</b>	4,193,687
Three years to five years	<b>4,391,371</b>	4,535,444	<b>4,391,371</b>	4,535,444
Over five years	<b>48,150,601</b>	47,878,705	<b>48,150,601</b>	47,878,705
	<b>79,407,454</b>	79,099,393	<b>79,516,091</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>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic non-banking financial institutions				
- Stockbroking companies	<b>23,085</b>	22,047	<b>23,085</b>	22,047
- Others	<b>608,753</b>	579,005	<b>608,753</b>	579,005
Domestic business enterprises				
- Small medium enterprises	<b>17,090,952</b>	17,074,341	<b>17,090,952</b>	17,074,341
- Others	<b>15,302,311</b>	14,809,905	<b>15,410,948</b>	14,924,542
Individuals	<b>39,731,369</b>	39,333,330	<b>39,731,369</b>	39,333,330
Foreign entities	<b>6,650,984</b>	7,280,765	<b>6,650,984</b>	7,280,765
	<b>79,407,454</b>	79,099,393	<b>79,516,091</b>	79,214,030

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

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fixed rate				
- Housing loans/financing	<b>36,927</b>	38,422	<b>36,927</b>	38,422
- Other fixed rate loans/ financing	<b>8,824,668</b>	8,613,910	<b>8,824,668</b>	8,613,910
Variable rate				
- Base rate/base lending/ financing rate-plus	<b>52,378,640</b>	51,846,728	<b>52,378,639</b>	51,846,728
- Cost-plus	<b>17,441,614</b>	17,773,452	<b>17,550,252</b>	17,888,089
- Other variable rates	<b>725,605</b>	826,881	<b>725,605</b>	826,881
	<b>79,407,454</b>	79,099,393	<b>79,516,091</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>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry and fishing	<b>1,373,857</b>	1,251,997	<b>1,373,857</b>	1,251,997
Mining and quarrying	<b>561,241</b>	1,176,581	<b>561,241</b>	1,176,581
Manufacturing	<b>6,604,963</b>	6,331,060	<b>6,604,963</b>	6,331,060
Electricity, gas and water	<b>175,731</b>	131,078	<b>175,731</b>	131,078
Construction	<b>6,870,144</b>	6,909,577	<b>6,870,144</b>	6,909,577
Wholesale, retail trade, restaurants and hotels	<b>10,011,970</b>	9,970,141	<b>10,011,970</b>	9,970,141
Transport, storage and communication	<b>1,197,860</b>	1,217,056	<b>1,197,860</b>	1,217,056
Finance, insurance and business services	<b>3,229,209</b>	3,099,679	<b>3,229,209</b>	3,099,679
Real estate	<b>4,213,939</b>	4,275,124	<b>4,322,576</b>	4,389,761
Community, social and personal services	<b>156,619</b>	154,374	<b>156,619</b>	154,374
Households				
- purchase of residential properties	<b>30,566,341</b>	30,114,804	<b>30,566,341</b>	30,114,804
- purchase of non residential properties	<b>9,096,568</b>	9,065,647	<b>9,096,568</b>	9,065,647
- others	<b>5,349,012</b>	5,402,275	<b>5,349,012</b>	5,402,275
	<b>79,407,454</b>	79,099,393	<b>79,516,091</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>31-Mar-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	216,991	907,062
Amount recovered	(87,511)	(378,498)
Reclassified as non credit impaired	(48,516)	(258,288)
Amount written-off	(29,638)	(146,204)
As at 31 March /31 December	<u>1,401,745</u>	<u>1,350,419</u>
Allowance for ECL on credit impaired/individual impairment	<u>(303,799)</u>	<u>(310,143)</u>
Net impaired loans, advances and financing	<u>1,097,946</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>1.4%</u>	<u>1.3%</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	<b>31-Dec-17</b>	<b>31-Mar-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	-	1,123,467	-	1,125,048
Impairment loss during the period	-	104,482	-	103,809
As at 31 March/ 31 December	<u>-</u>	<u>1,227,949</u>	<u>-</u>	<u>1,228,857</u>

	<b>Group and Bank</b>	
	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Individual Impairment</u>		
As at 1 January	-	233,670
Impairment loss during the period	-	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 31 March /31 December	<u>-</u>	<u>310,143</u>

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

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

Financial derivatives are instruments whose values change in response to the change in one or more “underlying”, such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases 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 31 March 2018</b>			
Foreign exchange contracts			
- forwards	8,800,128	60,583	301,628
- swaps	16,085,943	233,006	152,823
- options	1,472,936	8,121	2,701
Interest rate related contracts			
- swaps	21,225,404	322,722	175,905
- futures	556,092	605	-
Equity related contracts			
- swaps	150,484	4,532	4,500
- options	1,309,182	23,659	23,659
Commodity related contracts			
- swaps	219,359	5,413	12,316
- futures	125,281	6,251	664
- options	203,931	25	538
	<u>664,917</u>	<u>664,917</u>	<u>674,734</u>



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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
	<u>409,381</u>	<u>592,160</u>	<u>601,266</u>

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>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Other receivables, deposits and prepayments	<b>78,226</b>	112,764	<b>84,326</b>	116,114
Accrued interest/profit receivable	<b>139,267</b>	151,637	<b>139,267</b>	151,637
Amount due from subsidiaries	-	-	<b>142</b>	137
Amount due from ultimate holding com	<b>11,406</b>	6,861	<b>11,406</b>	6,861
Precious metal accounts	<b>213,171</b>	204,212	<b>213,171</b>	204,212
Less: Allowance for ECL	<b>(1,521)</b>	-	<b>(1,521)</b>	-
	<b>440,549</b>	475,474	<b>446,791</b>	478,961

**20. DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>20,577,021</b>	20,885,858	<b>20,583,412</b>	20,901,732
Savings deposits	<b>2,390,456</b>	1,891,887	<b>2,390,456</b>	1,891,887
Fixed deposits	<b>55,276,814</b>	53,847,599	<b>55,276,814</b>	53,847,599
Others	<b>7,124,901</b>	6,763,441	<b>7,124,901</b>	6,763,441
	<b>85,369,192</b>	83,388,785	<b>85,375,583</b>	83,404,659

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

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due within six months	<b>32,530,975</b>	34,109,466	<b>32,530,975</b>	34,109,466
Six months to one year	<b>22,654,549</b>	19,680,142	<b>22,654,549</b>	19,680,142
One year to three years	<b>89,814</b>	56,847	<b>89,814</b>	56,847
Three years to five years	<b>1,476</b>	1,144	<b>1,476</b>	1,144
	<b>55,276,814</b>	53,847,599	<b>55,276,814</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	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Business enterprises				
- Subsidiaries	-	-	6,391	15,874
- Related companies	1,202	1,089	1,202	1,089
- Others	34,246,167	33,237,005	34,246,167	33,237,005
Individuals	45,146,762	44,326,247	45,146,762	44,326,247
Others	5,975,061	5,824,444	5,975,061	5,824,444
	<b>85,369,192</b>	<b>83,388,785</b>	<b>85,375,583</b>	<b>83,404,659</b>

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

	Group		Bank	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Licensed banks in Malaysia	1,673,611	422,234	1,673,611	422,234
Bank Negara Malaysia	1,082,730	1,211,835	1,082,730	1,211,835
Other financial institutions	4,295,822	2,767,621	4,295,852	2,767,651
	<b>7,052,163</b>	<b>4,401,690</b>	<b>7,052,193</b>	<b>4,401,720</b>

**22. OTHER LIABILITIES**

	Group		Bank	
	31-Mar-18 RM'000	31-Dec-17 RM'000	31-Mar-18 RM'000	31-Dec-17 RM'000
Allowance for ECL/provision for commitments and contingencies	115,442	17,111	115,443	17,111
Accrued interest/profit payable	603,162	708,543	603,161	708,543
Accruals and provisions for operational expenses	177,781	246,000	176,461	244,169
Other payables and accruals	1,137,415	1,263,579	1,137,182	1,263,525
Deferred income	185,831	194,311	185,831	194,311
	<b>2,219,631</b>	<b>2,429,544</b>	<b>2,218,078</b>	<b>2,427,659</b>

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**EXPLANATORY NOTES****23. SUBORDINATED BONDS**

	<b>Group and Bank</b>	
	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
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>1,001,890</b>	1,002,702
	<b><u>1,501,890</u></b>	<b><u>1,502,702</u></b>
Accumulated fair value hedge gain/(loss) (Note (b))	<b><u>(1,890)</u></b>	<b><u>(2,702)</u></b>

- (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 31 March 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 RM812,000 (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 in financial assets measured at amortised cost and FVOCI****(a) Cash and short-term funds, Debts instruments at FVOCI and Other assets**

<b>Group and Bank</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Individual Impairment RM'000</b>	<b>Total RM'000</b>
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	6	(7)	-	-	(1)
(ii) New/additional ECL during the period	6,451	17,935	-	-	24,386
(iii) Maturity/settlement/reduction in ECL during the period	(12,278)	(6,702)	-	-	(18,980)
(iv) Others	(397)	(234)	-	-	(631)
As at 31 March 2018	<b>17,060</b>	<b>34,934</b>	<b>39,960</b>	-	<b>91,954</b>

**(b) Commitments and contingencies**

<b>Group and Bank</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Individual Impairment RM'000</b>	<b>Total RM'000</b>
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)	88,285
As at 1 January 2018, restated	<b>74,009</b>	<b>14,275</b>	<b>17,111</b>	-	<b>105,396</b>
<u>Movements with profit or loss impact:</u>					
(i) Transfer to Stage 1	2,654	(2,362)	-	-	292
(ii) Transferred to Stage 2					
(a) Stage 1 to Stage 2	(2,545)	5,373	-	-	2,828
(iv) New/additional ECL during the period	32,258	6,548	232	-	39,038
(v) Maturity/settlement/reduction in ECL during the period	(26,153)	(5,640)	-	-	(31,793)
(vi) Others	(268)	(49)	-	-	(317)
As at 31 March 2018	<b>79,955</b>	<b>18,145</b>	<b>17,343</b>	-	<b>115,443</b>

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**EXPLANATORY NOTES****24 Movements in allowance for ECL in financial assets measured at amortised cost and FVOCI (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>4,946</b>	<b>(23,696)</b>	<b>(30)</b>	-	-	<b>(18,780)</b>
(ii) Transferred to Stage 2						
(a) Stage 1 to Stage 2	<b>(6,951)</b>	<b>29,512</b>	-	-	-	<b>22,561</b>
(b) Stage 3 to Stage 2	-	<b>8,494</b>	<b>(3,938)</b>	-	-	<b>4,556</b>
(iii) Transferred to Stage 3						
(a) Stage 2 to Stage 3	-	<b>(10,926)</b>	<b>22,595</b>	-	-	<b>11,669</b>
(iv) New/additional ECL during the period	<b>75,818</b>	<b>9,009</b>	<b>31,352</b>	-	-	<b>116,179</b>
(v) Maturity/settlement/reduction in ECL during the period	<b>(67,753)</b>	<b>(10,254)</b>	<b>(28,963)</b>	-	-	<b>(106,970)</b>
(vi) Others	<b>(569)</b>	<b>(173)</b>	-	-	-	<b>(742)</b>
<u>Movements without profit or loss impact:</u>						
(j) Written off	-	-	<b>(23,672)</b>	-	-	<b>(23,672)</b>
(ii) Others	-	-	<b>(3,688)</b>	-	-	<b>(3,688)</b>
As at 31 March 2018	<b>695,499</b>	<b>404,402</b>	<b>303,799</b>	-	-	<b>1,403,700</b>

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**EXPLANATORY NOTES****24 Movements in allowance for ECL in financial assets measured at amortised cost and FVOCI (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>4,946</b>	<b>(23,696)</b>	<b>(30)</b>	-	-	<b>(18,780)</b>
(ii) Transferred to Stage 2						
(a) Stage 1 to Stage 2	<b>(6,951)</b>	<b>29,512</b>	-	-	-	<b>22,561</b>
(b) Stage 3 to Stage 2	-	<b>8,494</b>	<b>(3,938)</b>	-	-	<b>4,556</b>
(iii) Transferred to Stage 3						
(a) Stage 2 to Stage 3	-	<b>(10,926)</b>	<b>22,595</b>	-	-	<b>11,669</b>
(iv) New/additional ECL during the period	<b>75,818</b>	<b>9,009</b>	<b>31,352</b>	-	-	<b>116,179</b>
(v) Maturity/settlement/reduction in ECL during the period	<b>(67,527)</b>	<b>(10,254)</b>	<b>(28,963)</b>	-	-	<b>(106,744)</b>
(vi) Others	<b>(569)</b>	<b>(173)</b>	-	-	-	<b>(742)</b>
<u>Movements without profit or loss impact:</u>						
(i) Written off	-	-	<b>(23,672)</b>	-	-	<b>(23,672)</b>
(ii) Others	-	-	<b>(3,688)</b>	-	-	<b>(3,688)</b>
As at 31 March 2018	<b>696,633</b>	<b>404,402</b>	<b>303,799</b>	-	-	<b>1,404,834</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**

	First Quarter		Three Months	
	Ended	Ended	Ended	Ended
<b>Group</b>	<b>31-Mar-18</b>	31-Mar-17	<b>31-Mar-18</b>	31-Mar-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest income from loans, advances and financing	<b>979,472</b>	970,580	<b>979,472</b>	970,580
Interest income from impaired loans, advances and financing	<b>19,612</b>	15,241	<b>19,612</b>	15,241
Money at call and deposit placements with financial institutions	<b>78,356</b>	81,001	<b>78,356</b>	81,001
Financial assets at FVTPL	<b>7,708</b>	6,448	<b>7,708</b>	6,448
FVOCI/AFS securities	<b>92,166</b>	77,384	<b>92,166</b>	77,384
Others	<b>16</b>	13	<b>16</b>	13
	<b>1,177,330</b>	1,150,667	<b>1,177,330</b>	1,150,667
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	<b>5,527</b>	43	<b>5,527</b>	43
- FVOCI/AFS securities	<b>(3,294)</b>	(2,443)	<b>(3,294)</b>	(2,443)
	<b>1,179,563</b>	1,148,267	<b>1,179,563</b>	1,148,267
<b>Bank</b>				
Interest income from loans, advances and financing	<b>980,683</b>	972,559	<b>980,683</b>	972,559
Interest income from impaired loans, advances and financing	<b>19,612</b>	15,241	<b>19,612</b>	15,241
Money at call and deposit placements with financial institutions	<b>78,358</b>	81,001	<b>78,358</b>	81,001
Financial assets at FVTPL	<b>7,708</b>	6,448	<b>7,708</b>	6,448
FVOCI/AFS securities	<b>92,166</b>	77,384	<b>92,166</b>	77,384
Others	<b>16</b>	13	<b>16</b>	13
	<b>1,178,543</b>	1,152,646	<b>1,178,543</b>	1,152,646
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	<b>5,528</b>	43	<b>5,528</b>	43
- FVOCI/AFS securities	<b>(3,295)</b>	(2,443)	<b>(3,295)</b>	(2,443)
	<b>1,180,776</b>	1,150,246	<b>1,180,776</b>	1,150,246



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

Group	First Quarter Ended		Three Months Ended	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Deposits from customers	635,951	611,593	635,951	611,593
Deposits and placements of banks and other financial institutions	23,517	18,258	23,517	18,258
Subordinated bonds	16,619	16,528	16,619	16,528
Others	6,048	3,183	6,048	3,183
	<b>682,135</b>	<b>649,562</b>	<b>682,135</b>	<b>649,562</b>
<b>Bank</b>				
Deposits from customers	635,979	611,611	635,979	611,611
Deposits and placements of banks and other financial institutions	23,517	18,258	23,517	18,258
Subordinated bonds	16,619	16,528	16,619	16,528
Others	6,047	3,183	6,047	3,183
	<b>682,162</b>	<b>649,580</b>	<b>682,162</b>	<b>649,580</b>

**28. OTHER OPERATING INCOME**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
<u>Fee income</u>				
Commission	78,573	67,577	78,573	67,577
Guarantee fees	25,876	18,545	25,876	18,545
Service charges and fees	49,820	51,690	49,820	51,690
Commitment fees	7,004	7,564	7,004	7,564
Arrangement and participation fees	220	566	220	566
Less: Fee expenses	(14,974)	(15,909)	(14,974)	(15,909)
	<b>146,519</b>	<b>130,033</b>	<b>146,519</b>	<b>130,033</b>

*Disaggregated of fee income by timing of revenue is as below:*

- At a point in time	138,038	125,971	138,039	125,971
- Over time	8,480	4,062	8,480	4,062
	<b>146,519</b>	<b>130,033</b>	<b>146,519</b>	<b>130,033</b>

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

<b>Group (cont'd.)</b>	<b>First Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31-Mar-18 RM'000</b>	<b>31-Mar-17 RM'000</b>	<b>31-Mar-18 RM'000</b>	<b>31-Mar-17 RM'000</b>
<u>Trading and Investment income</u>				
Gain/(loss) from sale of financial assets at FVTPL	<b>2,644</b>	(422)	<b>2,644</b>	(422)
Unrealised gain on financial assets at FVTPL	<b>1,206</b>	216	<b>1,206</b>	216
Gain from trading derivatives	<b>27,939</b>	17,861	<b>27,939</b>	17,861
Unrealised (loss)/gain from trading derivatives	<b>(7,223)</b>	15,243	<b>(7,223)</b>	15,243
Unrealised gain on fair value hedge	<b>813</b>	584	<b>813</b>	584
Gain/(loss) from sale of precious metal	<b>630</b>	(128)	<b>630</b>	(128)
Unrealised (loss)/gain from sale of precious metal	<b>(45)</b>	14	<b>(45)</b>	14
Gain from sale/recovery of FVOCI/AFS securities	<b>3,283</b>	-	<b>3,283</b>	-
	<b>29,247</b>	33,368	<b>29,247</b>	33,368
<u>Other income</u>				
Foreign exchange gain, net	<b>59,123</b>	31,407	<b>59,123</b>	31,407
Rental income from operating leases	<b>25</b>	107	<b>25</b>	107
Gain on disposal of property, plant and equipment	<b>134</b>	1,221	<b>134</b>	1,221
Others	<b>3,760</b>	3,367	<b>3,760</b>	3,367
	<b>63,042</b>	36,102	<b>63,042</b>	36,102
	<b>238,808</b>	199,503	<b>238,808</b>	199,503

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

<b>Bank</b>	<b>First Quarter</b>		<b>Three Months</b>	
	<b>31-Mar-18</b>	<b>31-Mar-17</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Fee income</u>				
Commission	<b>78,573</b>	67,577	<b>78,573</b>	67,577
Guarantee fees	<b>25,876</b>	18,545	<b>25,876</b>	18,545
Service charges and fees	<b>49,884</b>	51,755	<b>49,884</b>	51,755
Commitment fees	<b>7,004</b>	7,566	<b>7,004</b>	7,566
Arrangement and participation fees	<b>220</b>	566	<b>220</b>	566
Less: Fee expenses	<b>(14,974)</b>	(15,909)	<b>(14,974)</b>	(15,909)
	<b>146,583</b>	130,100	<b>146,583</b>	130,100

*Disaggregated of fee income by timing of revenue is as below:*

- At a point in time	<b>138,103</b>	126,038	<b>138,103</b>	126,038
- Over time	<b>8,480</b>	4,062	<b>8,480</b>	4,062
	<b>146,583</b>	130,100	<b>146,583</b>	130,100

Trading and Investment income

Gain/(loss) from sale of financial assets at FVTPL	<b>2,644</b>	(422)	<b>2,644</b>	(422)
Unrealised gain on financial assets at FVTPL	<b>1,206</b>	216	<b>1,206</b>	216
Gain from trading derivatives	<b>27,939</b>	17,861	<b>27,939</b>	17,861
Unrealised (loss)/gain from trading derivatives	<b>(7,223)</b>	15,243	<b>(7,223)</b>	15,243
Unrealised gain on fair value hedge	<b>813</b>	584	<b>813</b>	584
Gain/(loss) from sale of precious metal	<b>630</b>	(128)	<b>630</b>	(128)
Unrealised (loss)/gain from sale of precious metal	<b>(45)</b>	14	<b>(45)</b>	14
Gain from sale/recovery of FVOCI/AFS securities	<b>3,283</b>	-	<b>3,283</b>	-
Gross dividends from:				
- an associate	-	1,921	-	1,921
	<b>29,247</b>	35,289	<b>29,247</b>	35,289

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

	First Quarter Ended		Three Months Ended	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
<b>Bank (cont'd.)</b>				
<u>Other income</u>				
Foreign exchange gain, net	<b>59,123</b>	31,407	<b>59,123</b>	31,407
Gain on disposal of property, plant and equipment	<b>134</b>	1,221	<b>134</b>	1,221
Others	<b>3,760</b>	3,363	<b>3,760</b>	3,363
	<b>63,017</b>	35,991	<b>63,017</b>	35,991
	<b>238,847</b>	201,380	<b>238,847</b>	201,380

**29. OTHER OPERATING EXPENSES**

	First Quarter Ended		Three Months Ended	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
<b>Group</b>				
Personnel expenses	<b>182,831</b>	162,660	<b>182,831</b>	162,660
Establishment related expenses	<b>56,810</b>	48,940	<b>56,810</b>	48,940
Promotion and marketing related expenses	<b>7,581</b>	6,303	<b>7,581</b>	6,303
General administrative expenses	<b>26,326</b>	25,215	<b>26,326</b>	25,215
	<b>273,548</b>	243,118	<b>273,548</b>	243,118
<u>Personnel expenses</u>				
Wages, salaries and bonus	<b>146,680</b>	129,889	<b>146,680</b>	129,889
Defined contribution plan	<b>22,999</b>	20,340	<b>22,999</b>	20,340
Other employee benefits	<b>13,152</b>	12,431	<b>13,152</b>	12,431
	<b>182,831</b>	162,660	<b>182,831</b>	162,660
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	<b>14,613</b>	13,836	<b>14,613</b>	13,836
Information technology costs	<b>15,716</b>	18,960	<b>15,716</b>	18,960
Repair and maintenance	<b>11,684</b>	3,514	<b>11,684</b>	3,514
Rental of premises	<b>4,218</b>	3,866	<b>4,218</b>	3,866
Others	<b>10,579</b>	8,764	<b>10,579</b>	8,764
	<b>56,810</b>	48,940	<b>56,810</b>	48,940

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

<b>Group (cont'd.)</b>	<b>First Quarter</b>		<b>Three Months</b>	
	<b>31-Mar-18</b>	<b>31-Mar-17</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	<b>7,581</b>	6,303	<b>7,581</b>	6,303
<u>General administrative expenses</u>				
Fees and commissions paid	<b>5,623</b>	5,138	<b>5,623</b>	5,138
Others	<b>20,703</b>	20,077	<b>20,703</b>	20,077
	<b>26,326</b>	25,215	<b>26,326</b>	25,215
<b>Bank</b>				
Personnel expenses	<b>181,746</b>	161,701	<b>181,746</b>	161,701
Establishment related expenses	<b>59,951</b>	51,905	<b>59,951</b>	51,905
Promotion and marketing related expenses	<b>7,572</b>	6,292	<b>7,572</b>	6,292
General administrative expenses	<b>26,192</b>	25,188	<b>26,192</b>	25,188
	<b>275,461</b>	245,086	<b>275,461</b>	245,086
<u>Personnel expenses</u>				
Wages, salaries and bonus	<b>145,776</b>	129,107	<b>145,776</b>	129,107
Defined contribution plan	<b>22,869</b>	20,230	<b>22,869</b>	20,230
Other employee benefits	<b>13,101</b>	12,364	<b>13,101</b>	12,364
	<b>181,746</b>	161,701	<b>181,746</b>	161,701
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	<b>12,361</b>	11,744	<b>12,361</b>	11,744
Information technology costs	<b>15,716</b>	18,960	<b>15,716</b>	18,960
Repair and maintenance	<b>11,473</b>	3,299	<b>11,473</b>	3,299
Rental of premises	<b>8,940</b>	8,632	<b>8,940</b>	8,632
Others	<b>11,461</b>	9,270	<b>11,461</b>	9,270
	<b>59,951</b>	51,905	<b>59,951</b>	51,905
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	<b>7,572</b>	6,292	<b>7,572</b>	6,292
<u>General administrative expenses</u>				
Fees and commissions paid	<b>5,493</b>	5,118	<b>5,493</b>	5,118
Others	<b>20,699</b>	20,070	<b>20,699</b>	20,070
	<b>26,192</b>	25,188	<b>26,192</b>	25,188

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

Group	Three Months Ended First Quarter Ended				31-Mar-17 Total RM'000
	31-Mar-18				
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	
Placement with banks and other financial institutions, and other assets	(6,041)	(9,028)	-	(15,069)	-
Loans, advances and financing					
- Expected credit loss	5,797	1,660	21,016	28,472	-
- Individual impairment	-	-	-	-	22,001
- Collective impairment	-	-	-	-	58,955
Debt instruments measured at FVOCI	(177)	20,020	-	19,843	-
	(421)	12,652	21,016	33,246	80,956
Credit-impaired loans, advances and financing					
-written off	-	-	9,880	9,880	6,994
-recovered	-	-	(13,712)	(13,712)	(12,031)
	(421)	12,652	17,184	29,414	75,919
Commitments and contingencies	5,946	3,870	232	10,048	(892)
	5,946	3,870	232	10,048	(892)
<b>Bank</b>					
Placement with bank and other financial institutions, and other assets	(6,041)	(9,028)	-	(15,069)	-
Loans, advances and financing					
- Expected credit loss	6,023	1,660	21,016	28,699	-
- Individual impairment	-	-	-	-	22,001
- Collective impairment	-	-	-	-	58,936
Debt instruments measured at FVOCI	(177)	20,020	-	19,843	-
	(195)	12,652	21,016	33,473	80,937
Credit-impaired loans, advances and financing					
-written off	-	-	9,880	9,880	6,994
-recovered	-	-	(13,712)	(13,712)	(12,031)
	(195)	12,652	17,184	29,641	75,900
Commitments and contingencies	5,946	3,870	232	10,048	(892)
	5,946	3,870	232	10,048	(892)

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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 businesses are organised into the following four segments based on the types of products and services that it provides:

**Retail**

The Retail segment covers Personal Financial Services, Business and Private Banking. Personal Financial Services serves the individual customers, offer a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Banking caters to high net worth individuals and accredited investors, offering 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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**EXPLANATORY NOTES**

**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 31 March 2018</b>							
Operating income	347,439	275,658	50,722	77,523	751,342	(6,249)	745,093
Other operating expenses	(174,647)	(58,014)	(13,678)	(33,437)	(279,776)	6,228	(273,548)
Credit impairment losses	(34,087)	(5,601)	-	4	(39,684)	222	(39,462)
Share of net profit of an associate	-	-	-	54	54	-	54
Profit before taxation	138,705	212,043	37,044	44,144	431,936	201	432,137
Income tax expense							(107,065)
							<u>325,072</u>

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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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>
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**Other information**

**For year period 31 March 2018**

Inter-segment operating income	41,331	63,063	(190,873)	92,728	6,249	(6,249)	-
Depreciation of property, plant and equipment	2,229	767	482	11,114	14,592	21	14,613

**As at 31 March 2018**

Gross loans, advances and financing	51,340,599	27,835,272	-	340,220	79,516,091	(108,637)	79,407,454
Deposits from customers	56,251,621	29,111,934	-	12,028	85,375,583	(6,391)	85,369,192

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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 31 March 2017</b>							
Operating income	336,520	277,460	27,471	69,140	710,591	(8,637)	701,954
Other operating expenses	(163,215)	(52,940)	(12,678)	(20,233)	(249,066)	5,948	(243,118)
Allowance for impairment on loans, advances and financing	(19,566)	(56,359)	25	-	(75,900)	(19)	(75,919)
Write back of commitments and contingencies-net	-	892	-	-	892	-	892
Share of net profit of an associate	-	-	-	56	56	-	56
Profit before taxation	<u>153,739</u>	<u>169,053</u>	<u>14,818</u>	<u>48,963</u>	<u>386,573</u>	<u>(2,708)</u>	<u>383,865</u>
Income tax expense							<u>(92,278)</u>
							<u>291,587</u>

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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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 31 March 2017</b>							
Inter-segment operating income	48,762	53,662	(173,108)	79,321	8,637	(8,637)	-
Depreciation of property, plant and equipment	1,998	575	533	10,709	13,815	21	13,836
<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.

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	31-Dec-17	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<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>8,261,176</b>	8,261,176	<b>8,335,026</b>	8,335,026
Other reserves	<b>265,041</b>	247,773	<b>111,403</b>	94,135
Regulatory adjustments applied in the calculation of CET1 Capital	<b>(298,474)</b>	(314,140)	<b>(285,514)</b>	(276,492)
Total CET1/Tier 1 Capital	<b>9,020,298</b>	8,987,364	<b>8,953,470</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>239,255</b>	277,701	<b>282,164</b>	278,408
- Collective impairment provisions	<b>23,964</b>	29,883	<b>14,553</b>	20,470
Regulatory adjustments applied in the calculation of Tier 2 Capital	<b>65,960</b>	70,762	-	(26,712)
Total Tier 2 Capital	<b>1,829,179</b>	1,878,346	<b>1,796,717</b>	1,772,166
Total Capital	<b>10,849,477</b>	10,865,710	<b>10,750,187</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>31-Mar-18</b>	<b>31-Dec-17</b>	<b>31-Mar-18</b>	<b>31-Dec-17</b>
CET1/Tier 1 Capital	<b>16.159%</b>	16.373%	<b>16.222%</b>	16.484%
Total Capital	<b>19.435%</b>	19.795%	<b>19.477%</b>	19.749%
CET1/Tier 1 Capital*	<b>15.332%</b>	15.532%	<b>15.385%</b>	15.633%
Total Capital*	<b>18.609%</b>	18.954%	<b>18.641%</b>	18.899%

\* net of proposed dividends

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

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-18</b>	<b>31-Dec-17</b>	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>48,832,882</b>	48,674,131	<b>48,191,610</b>	48,038,923
Total RWA for market risk	<b>1,705,127</b>	986,262	<b>1,705,127</b>	986,262
Total RWA for operational risk	<b>5,285,510</b>	5,230,645	<b>5,298,099</b>	5,242,469
	<b>55,823,519</b>	54,891,038	<b>55,194,836</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 31 March 2018</b>	<b>Group</b>		
	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	3,052,358	3,003,435	2,193,885
Transaction-related contingent items	6,124,114	3,078,911	2,152,433
Short-term self-liquidating trade-related contingencies	565,418	126,303	102,824
Foreign exchange related contracts			
- less than one year	26,169,549	628,813	162,447
- more than one year to less than five years	189,458	11,165	8,666
Interest rate related contracts			
- less than one year	6,924,059	158,101	58,108
- more than one year to less than five years	14,740,834	740,579	580,776
- five years and above	116,603	13,527	15,087
Equity related contracts			
- less than one year	368,546	17,890	14,256
- more than one year to less than five years	1,091,120	43,885	7,271
Precious metal contracts			
- less than one year	21,930	-	-
Commodity related contracts			
- less than one year	272,594	25,983	10,817
- more than one year to less than five years	275,977	26,120	7,220
Undrawn credit facility			
- less than one year	14,714,845	1,377,825	571,165
- more than one year	11,354,116	6,417,765	4,103,873
- unconditionally cancellable	11,816,291	6,117,568	675,947
<b>Total</b>	<b>97,797,812</b>	<b>21,787,870</b>	<b>10,664,775</b>

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**EXPLANATORY NOTES**

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

<b>As at 31 March 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	3,052,358	3,003,435	2,193,885
Transaction-related contingent items	6,124,114	3,078,911	2,152,433
Short-term self-liquidating trade-related contingencies	565,418	126,303	102,824
Foreign exchange related contracts			
- less than one year	26,169,549	628,813	162,447
- more than one year to less than five years	189,458	11,165	8,666
Interest rate related contracts			
- less than one year	6,924,059	158,101	58,108
- more than one year to less than five years	14,740,834	740,579	580,776
- five years and above	116,603	13,527	15,087
Equity related contracts			
- less than one year	368,546	17,890	14,256
- more than one year to less than five years	1,091,120	43,885	7,271
Precious metal contracts			
- less than one year	21,930	-	-
Commodity related contracts			
- less than one year	272,594	25,983	10,817
- more than one year to less than five years	275,977	26,120	7,220
Undrawn credit facility			
- less than one year	14,291,241	954,221	147,560
- more than one year	11,354,116	6,417,765	4,103,873
- unconditionally cancellable	11,816,291	6,117,568	675,947
<b>Total</b>	<b>97,374,208</b>	<b>21,364,266</b>	<b>10,241,172</b>



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**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>		
	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>As at 31 December 2017</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	11,572,660	5,944,261	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. PERFORMANCE REVIEW**

The Group recorded a profit before taxation of RM432.1 million for the three months ended 31 March 2018, an increase of 12.6% or RM48.3 million over corresponding period last year. The increase in profit was mainly from higher operating income, lower credit impairment losses and higher net income from Islamic Banking operations, partially offset by higher other operating expenses.

Net interest income recorded at RM497.4 million, remained relatively flat as compared to corresponding period last year mainly driven by higher interest income from customer loans, advances and financing coupled with interest income from securities, offset by higher interest expenses from customer deposits and net placements of financial institutions.

Other operating income grew 19.7% or RM39.4 million to RM238.8 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 RM8.9 million.

Expenses increased by 12.5% or RM30.5 million to RM273.5 million primarily due to higher staff expenses and establishment related expenses. Cost to income ratio stood at 36.7% as we stayed discipline in cost management while investing in our people, technology and infrastructure to strengthen our capabilities for future growth.

Total credit impairment losses amounted to RM39.5 million, of which RM22.0 million from Stage 1 and Stage 2; RM17.4 million from Stage 3 under the newly implemented MFRS 9 which effective on 1 January 2018.

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**EXPLANATORY NOTES**

**35. PROSPECTS FOR 2018**

The global economy is expected to stay firm in 2018 supported by a synchronized global recovery amid improving growth conditions across major advanced and emerging economies. G-3 economies have recorded stronger consumption and investments, while Asia's economies have demonstrated resilience even as global central banks embark on monetary normalisation policies. This reaffirms that economic growth is more entrenched across countries and lays a stronger foundation for the next phase of growth. While the global outlook is favourable, we see lingering risks in the form of trade protectionism, geopolitical and policy developments in major economies that 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. Growth is expected to remain robust supported by domestic and external drivers. Private consumption and investments will remain key sources of growth with reinforcements from government spending via an expansionary budget. Malaysia is poised to benefit from various efforts to upgrade infrastructure and drive innovation. Malaysia will continue to benefit from various regional and multilateral initiatives including China's Belt and Road 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.

Amid the moderate economic growth, our priorities include maintaining a sound balance sheet, providing responsible financial solutions for our customers and delivering sustainable returns for all our stakeholders.

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

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**36. ISLAMIC BANKING OPERATIONS**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

	<b>Note</b>	<b>31-Mar-18</b> <b>RM'000</b>	31-Dec-17 RM'000
<b>Assets</b>			
Cash and short-term funds	a	<b>1,046,845</b>	179,447
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	<b>30,060</b>	-
Available-for-sale ("AFS") securities	c	-	30,126
Financing, advances and others	d	<b>1,220,994</b>	842,096
Other assets	e	<b>1,466</b>	297
Statutory deposits with Bank Negara Malaysia		<b>17,750</b>	7,920
Plant and equipment		<b>67</b>	71
Deferred tax assets		<b>148</b>	145
<b>Total assets</b>		<b><u>2,317,330</u></b>	<u>1,060,102</u>
<b>Liabilities and Islamic banking funds</b>			
Deposits from customers	g	<b>1,428,670</b>	600,379
Deposits and placements of banks and other financial institutions	h	<b>425,329</b>	4,711
Bills and acceptances payables		<b>73</b>	74
Other liabilities	i	<b>12,541</b>	5,449
Tax Payable		<b>305</b>	88
<b>Total liabilities</b>		<b><u>1,866,918</u></b>	<u>610,701</u>
Capital fund	j	<b>450,000</b>	450,000
Reserves	j	<b>412</b>	(599)
<b>Islamic Banking funds</b>		<b><u>450,412</u></b>	<u>449,401</u>
<b>Total liabilities and Islamic Banking funds</b>		<b><u>2,317,330</u></b>	<u>1,060,102</u>
<b>Commitments and contingencies</b>	p	<b><u>806,528</u></b>	<u>693,549</u>

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

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2018**

	Note	First quarter ended		Three months ended	
		31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Income derived from depositors' funds	k	<b>8,571</b>	4,252	<b>8,571</b>	4,252
Income derived from investment of Islamic Banking funds	l	<b>10,368</b>	3,093	<b>10,368</b>	3,093
Allowance for impairment on financing, advance and others	n	-	(771)	-	(771)
Allowance for expected credit losses on:					
Financial assets measured at amortised cost	n	<b>(2,727)</b>	-	<b>(2,727)</b>	-
Commitments and contingencies	n	<b>75</b>	-	<b>75</b>	-
Total attributable income		<b>16,287</b>	6,574	<b>16,287</b>	6,574
Income attributable to depositors	m	<b>(10,082)</b>	(3,599)	<b>(10,082)</b>	(3,599)
Total net income		<b>6,205</b>	2,975	<b>6,205</b>	2,975
Other operating expenses	o	<b>(4,954)</b>	(3,381)	<b>(4,954)</b>	(3,381)
Profit/ (Loss) before taxation		<b>1,251</b>	(406)	<b>1,251</b>	(406)
Income tax income		<b>(220)</b>	-	<b>(220)</b>	-
Profit/ (Loss) after taxation		<b>1,031</b>	(406)	<b>1,031</b>	(406)
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Net loss on revaluation of AFS securities		-	(367)	-	(367)
Net fair value changes in debt instruments at fair value through other comprehensive income		<b>(26)</b>	-	<b>(26)</b>	-
Income tax effect		<b>6</b>	88	<b>6</b>	88
Total other comprehensive income for the period, net of tax		<b>(20)</b>	(279)	<b>(20)</b>	(279)
Total comprehensive profit for the period		<b>1,011</b>	(685)	<b>1,011</b>	(685)

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS  
FOR THE PERIOD ENDED 31 MARCH 2018**

	Capital fund RM'000	Fair value through other comprehensive reserve RM'000	Net unrealised reserves on AFS securities RM'000	Accumulated losses RM'000	Total RM'000
<b>2018</b>					
Balance as at 1 January 2018 As previously stated	450,000	-	(81)	(518)	449,401
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	-	-	-	1,031	1,031
Other comprehensive loss	-	(20)	-	-	(20)
Total comprehensive income	-	(20)	-	1,031	1,011
Balance as at 31 March 2018	450,000	(101)	-	513	450,412

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS**

**FOR THE PERIOD ENDED 31 MARCH 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				
Balance as 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
Balance as 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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**36. ISLAMIC BANKING OPERATIONS (cont'd.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2018**

	<b>31-Mar-18</b>	31-Mar-17
	<b>RM'000</b>	RM'000
Profit/ (Loss) before taxation	<b>1,251</b>	(406)
Adjustments for non-operating and non-cash items	<b>2,404</b>	523
Operating profit /(loss) before working capital changes	<b>3,655</b>	117
Changes in working capital:		
Net changes in operating assets	<b>(392,624)</b>	(49,604)
Net changes in operating liabilities	<b>1,256,000</b>	20,424
Net cash generated/(used in) from operating activities	<b>867,031</b>	(29,063)
Net cash (used in)/generated from investing activities	<b>367</b>	291
Net increase/(decrease) in cash and cash equivalents	<b>867,398</b>	(28,772)
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>1,046,845</b>	734,916
<b>Analysis of cash and cash equivalents</b>		
Cash and short term funds	<b>1,046,845</b>	734,916

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

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>14,360</b>	17,447
Money at call and deposit placements maturing within one month	<b>1,032,860</b>	162,000
Less: Allowances for ECL	<b>(375)</b>	-
	<b><u>1,046,845</u></b>	<u>179,447</u>

**b. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")**

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b>Money market instruments</b>		
Government Islamic investment	<b>30,060</b>	-
<b>Total debt instruments at FVOCI</b>	<b><u>30,060</u></b>	<u>-</u>

**c. Available-for-sale ("AFS") securities**

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b>Money market instruments</b>		
Government Islamic investment	-	30,126
<b>Total AFS securities</b>	<b><u>-</u></b>	<u>30,126</u>

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

**d. Financing, advances and others**

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

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

**Tawarruq**

Term financing and revolving credits

- Housing financing	646,289	381,834
- Others term financing	568,338	453,810
Claim on customers under acceptance credits	15,552	15,508
Gross financing, advances and others	<b>1,230,179</b>	851,152

Allowance for losses on financing,  
advances and others

- Individual impairment	-	(201)
- Collective impairment	-	(8,855)
- Allowance for ECL	(9,185)	-
Net financing, advances and others	<b>1,220,994</b>	842,096

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Maturing within one year	96,355	80,884
One year to three years	2,605	2,847
Three years to five years	93,092	98,974
Over five years	1,038,127	668,447
	<b>1,230,179</b>	851,152

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

**EXPLANATORY NOTES**

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

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Domestic business enterprises		
- Small medium enterprises	<b>334,321</b>	284,427
- Others	<b>157,768</b>	120,005
Individuals	<b>690,421</b>	417,428
Foreign entities	<b>47,669</b>	29,292
	<b><u>1,230,179</u></b>	<u>851,152</u>

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Fixed rate		
- Other fixed rate financing	<b>15,552</b>	15,508
Variable rate:		
- Base rate/base financing rate-plus	<b>1,008,246</b>	674,884
- Cost-plus	<b>206,381</b>	160,760
	<b><u>1,230,179</u></b>	<u>851,152</u>

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**36. ISLAMIC BANKING OPERATIONS (cont'd.)****EXPLANATORY NOTES****d. Financing, advances and others (cont'd.)****(v) Gross financing, advances and others by economic sectors:**

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Manufacturing	<b>67,957</b>	82,408
Electricity, gas and water	<b>53,255</b>	-
Construction	<b>46,297</b>	45,777
Wholesale, retail trade, restaurants and hotels	<b>155,296</b>	122,798
Transport, storage and communication	<b>16,114</b>	25,884
Finance, insurance and business services	<b>83,862</b>	61,589
Real estate	<b>64,999</b>	63,285
Community, social and personal services	<b>4,309</b>	2,691
Households		
- purchase of residential properties	<b>652,620</b>	386,280
- purchase of non residential properties	<b>46,373</b>	31,923
- others	<b>39,097</b>	28,516
	<b><u>1,230,179</u></b>	<u>851,152</u>

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Balance as at 1 January	<b>703</b>	-
Classified as credit impaired during the period	<b>1,192</b>	703
Balance as at 31 December	<b>1,895</b>	703
Allowance for ECL on credit impaired/ individual impairment	<b>(372)</b>	(201)
Net impaired financing, advances and others	<b>1,523</b>	502
Ratio of net impaired financing, advances and others to gross financing, advances and others less allowance for ECL on credit impaired /individual impairment	<b>0.1%</b>	<b>0.1%</b>

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

**EXPLANATORY NOTES**

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

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Households:		
- purchase of residential properties	<u>1,895</u>	<u>703</u>

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
In Malaysia	<u>1,895</u>	<u>703</u>

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

**EXPLANATORY NOTES**

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

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b><u>Collective impairment</u></b>		
Balance as at 1 January	-	80
Impairment loss made during the period	-	8,775
Balance as at 31 December	<u>-</u>	<u>8,855</u>

	<b>31-Mar-18</b>	<b>31-Dec-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Individual Impairment</u></b>		
Balance as at 1 January	-	-
Impairment loss during the period/year	-	204
Profit recognised on impaired financing	-	(3)
Balance as at 31 December	<u>-</u>	<u>201</u>

*Please refer to Note f for movement in allowance for ECL*

**e. Other assets**

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Other receivables, deposits and prepayments	<b>42</b>	-
Profit receivables	<b>1,424</b>	297
	<u><b>1,466</b></u>	<u>297</u>

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

**f. Movements in allowance for ECL in financial assets measured at amortised cost**

**(a) Cash and Short term funds**

	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	118	110	-	228
As at 1 January 2018, restated	<u>118</u>	<u>110</u>	<u>-</u>	<u>228</u>
<u>Movements with profit or loss impact:</u>				
(i) Additional ECL during the period	<b>58</b>	<b>420</b>	-	<b>478</b>
(ii) Maturity/settlement/reduction in ECL during the period	<b>(47)</b>	<b>(283)</b>	-	<b>(330)</b>
As at 31 March 2018	<u><b>129</b></u>	<u><b>247</b></u>	<u>-</u>	<u><b>376</b></u>

**(b) Contingent Liabilities and Commitments**

	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	2,207	9	-	2,216
As at 1 January 2018, restated	<u><b>2,207</b></u>	<u><b>9</b></u>	<u>-</u>	<u><b>2,216</b></u>
<u>Movements with profit or loss impact:</u>				
(i) Additional ECL during the period	<b>2,475</b>	-	-	<b>2,475</b>
(ii) Maturity/settlement/reduction in ECL during the period	<b>(2,541)</b>	<b>(9)</b>	-	<b>(2,550)</b>
As at 31 March 2018	<u><b>2,141</b></u>	<u>-</u>	<u>-</u>	<u><b>2,141</b></u>

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**36. ISLAMIC BANKING OPERATIONS (cont'd.)****EXPLANATORY NOTES****f. Movements in allowance for ECL in financial assets measured at amortised cost (cont'd.)****(c) Financing, advances and others**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Collective</b>	<b>Individual</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Impairment</b>	<b>Impairment</b>	<b>RM'000</b>
				<b>RM'000</b>	<b>RM'000</b>	
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 profit or loss impact:</u>						
(i) Transfer to Stage 1						
(a) Stage 2 to Stage 1	<b>86</b>	<b>(2,281)</b>	-	-	-	<b>(2,195)</b>
(ii) Transferred to Stage 2						
(a) Stage 1 to Stage 2	<b>(25)</b>	<b>200</b>	-	-	-	<b>175</b>
(iii) Transferred to Stage 3						
(a) Stage 2 to Stage 3	-	<b>(20)</b>	<b>171</b>	-	-	<b>151</b>
(iv) New/additional ECL during the period	<b>7,676</b>	<b>614</b>	-	-	-	<b>8,290</b>
(v) Maturity/settlement/reduction in ECL during the period	<b>(3,839)</b>	<b>(9)</b>	-	-	-	<b>(3,848)</b>
As at 31 March 2018	<b>8,576</b>	<b>237</b>	<b>372</b>	-	-	<b>9,185</b>



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

**g. Deposits from customers**

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b><u>Non-Mudharabah fund</u></b>		
Demand deposits		
- Qard	<b>68,323</b>	92,395
Savings deposits		
- Qard	<b>9,761</b>	7,911
Fixed deposits		
- Tawarruq	<b>1,027,951</b>	496,423
Other deposits		
- Tawarruq	<b>322,635</b>	3,650
	<b><u>1,428,670</u></b>	<u>600,379</u>

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Due within six months	<b>765,252</b>	409,129
Six months to one year	<b>260,199</b>	87,294
One year to three years	<b>2,500</b>	-
	<b><u>1,027,951</u></b>	<u>496,423</u>

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Business enterprises	<b>778,923</b>	453,782
Individuals	<b>187,243</b>	78,143
Others	<b>462,504</b>	68,454
	<b><u>1,428,670</u></b>	<u>600,379</u>

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

**EXPLANATORY NOTES**

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
<b><u>Non-Mudharabah fund</u></b>		
Licensed banks in Malaysia	<b>100,000</b>	-
Bank Negara Malaysia	<b>67,539</b>	-
Other financial institutions	<b>257,790</b>	4,711
	<b><u>425,329</u></b>	<u>4,711</u>

**i. Other liabilities**

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Accrued profit payable	<b>8,877</b>	4,281
Accruals and provisions for operational expenses	<b>3,664</b>	1,168
	<b><u>12,541</u></b>	<u>5,449</u>

**j. Islamic Banking funds**

	<b>31-Mar-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>(101)</b>	(81)
Accumulated losses	<b>513</b>	(518)
	<b><u>450,412</u></b>	<u>449,401</u>

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

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

	First quarter ended		Three months ended	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
<b><u>Finance income and hibah</u></b>				
Financing, advances and others	5,505	1,606	5,505	1,606
Money at call and deposit placements with financial institutions	3,066	2,646	3,066	2,646
	<b>8,571</b>	<b>4,252</b>	<b>8,571</b>	<b>4,252</b>

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

	First quarter ended		Three months ended	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
<b><u>Finance income and hibah</u></b>				
Financing, advances and others	6,828	14	6,828	14
Money at call and deposit placements with financial institutions	1,160	2,738	1,160	2,738
AFS securities	226	227	226	227
	<b>8,214</b>	<b>2,979</b>	<b>8,214</b>	<b>2,979</b>
<b><u>Other operating income</u></b>				
Trading income	101	25	101	25
Commision income	1,266	50	1,266	50
Fee income	785	38	785	38
Others	2	1	2	1
	<b>10,368</b>	<b>3,093</b>	<b>10,368</b>	<b>3,093</b>

**m. Income attributable to depositors**

	First quarter ended		Three months ended	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors from non-mudharabah fund	<b>10,082</b>	<b>3,599</b>	<b>10,082</b>	<b>3,599</b>

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

**n. Allowance for Credit Expected Los:**

	<b>Three Months Ended</b>				31-Mar-17 Total RM'000
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Placement with banks and other financial institutions	11	137	-	148	-
Financing, advances and others	3,898	(1,496)	177	2,579	-
Collective impairment	-	-	-	-	771
	<b>3,909</b>	<b>(1,359)</b>	<b>177</b>	<b>2,727</b>	<b>771</b>
Commitments & contingencies	<b>(66)</b>	<b>(9)</b>	-	<b>(75)</b>	-
Total credit impairment losses	<b>3,843</b>	<b>(1,368)</b>	<b>177</b>	<b>2,652</b>	<b>771</b>

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

**o. Other operating expenses**

	First quarter ended		Three months ended	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Personnel expenses	<b>469</b>	407	<b>469</b>	407
Establishment related expenses	<b>95</b>	35	<b>95</b>	35
Promotion and marketing related expenses	<b>10</b>	-	<b>10</b>	-
General administrative expenses	<b>4,380</b>	2,939	<b>4,380</b>	2,939
	<b>4,954</b>	3,381	<b>4,954</b>	3,381
Personnel expenses				
- Wages, salaries and bonus	<b>369</b>	305	<b>369</b>	305
- Defined contribution plan	<b>94</b>	84	<b>94</b>	84
- Other employee benefits	<b>6</b>	18	<b>6</b>	18
	<b>469</b>	407	<b>469</b>	407
Establishment related expenses				
- Depreciation of property, plant and equipment	<b>4</b>	4	<b>4</b>	4
- Repair and maintenance	<b>2</b>	2	<b>2</b>	2
- Rental of premises	<b>3</b>	3	<b>3</b>	3
- Others	<b>86</b>	26	<b>86</b>	26
	<b>95</b>	35	<b>95</b>	35
Promotion and marketing related expenses				
- Advertisement and publicity	<b>10</b>	-	<b>10</b>	-
General administrative expenses				
- Fees and commissions paid	<b>78</b>	64	<b>78</b>	64
- Management fee	<b>4,241</b>	2,855	<b>4,241</b>	2,855
- Others	<b>61</b>	20	<b>61</b>	20
	<b>4,380</b>	2,939	<b>4,380</b>	2,939

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

**p. Commitments and contingencies**

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

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>As at 31 March 2018</b>			
Direct credit substitutes	9,386	9,386	4,687
Transaction-related contingent items	11,385	5,692	6,253
Short-term self-liquidating trade-related contingencies	2,322	464	308
Foreign exchange related contracts			
- less than one year	3,842	88	64
Undrawn credit facility			
- less than one year	95,598	-	-
- more than one year	683,995	434,011	112,975
<b>Total</b>	<b>806,528</b>	<b>449,641</b>	<b>124,287</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>

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

**q. 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>31-Mar-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>(101)</b>	(81)
Regulatory adjustments applied in the calculation of CET1 Capital	<b>(148)</b>	(144)
Total CET1/Tier 1 Capital	<b>449,233</b>	449,257
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	<b>1,911</b>	1,523
- Collective impairment provisions	<b>2</b>	2
Total Tier 2 Capital	<b>1,914</b>	1,525
Total Capital	<b>451,147</b>	450,782

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

	<b>31-Mar-18</b>	31-Dec-17
CET1/Tier 1 Capital	<b>67.722%</b>	73.643%
Total Capital	<b>68.010%</b>	73.893%

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

	<b>31-Mar-18</b>	31-Dec-17
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>628,280</b>	583,283
Total RWA for operational risk	<b>35,071</b>	26,768
	<b>663,351</b>	610,051