

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 JUNE 2013

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

1. BASIS OF PREPARATION

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

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

1. BASIS OF PREPARATION (con'td.)

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

Effective for annual periods commencing on or after 1 January 2014

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

Effective for annual periods commencing on or after 1 January 2015

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

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

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

2. AUDITORS' REPORT

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

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

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

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

5. CHANGES IN ESTIMATES

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

6. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

8. DIVIDENDS PAID

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

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

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

10. CHANGES IN THE COMPOSITION OF THE GROUP

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

(ii) By type of customer:

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

(iii) By interest/profit rate sensitivity:

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

Financial derivatives are instruments whose values change in response to the change in one or more “underlying”, such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. The fair values of the derivatives are as follows:

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

18. DEPOSITS FROM CUSTOMERS

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

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

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

20. OTHER LIABILITIES

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

21. SUBORDINATED BONDS

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

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

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

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

23. INTEREST INCOME

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

24. INTEREST EXPENSE

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

	Group		Bank	
	30-Jun-13	31-Dec-12	30-Jun-13	31-Dec-12
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 (CET1) Capital</u>				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits - audited	3,870,734	4,191,509	3,814,897	4,135,672
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	121,969	129,837	(577)	7,291
Regulatory adjustments applied in the calculation of CET1 Capital	(368,035)	(365,943)	(253,101)	(251,008)
Total CET1 / Tier 1 capital	4,887,223	5,217,958	4,823,774	5,154,510
<u>Tier 2 capital</u>				
Tier II capital instruments	450,000	500,000	450,000	500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	111,565	80,847	115,037	84,208
- Collective impairment provisions	102,890	91,195	99,418	87,834
Regulatory adjustments applied in the calculation of Tier 2 Capital	(67,659)	(67,659)	(122,783)	(122,783)
Total Tier II capital	596,796	604,383	541,672	549,259
Total capital	5,484,019	5,822,341	5,365,446	5,703,769

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

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

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

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

30. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

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

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

31. PERFORMANCE REVIEW

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

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

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

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

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

32. PROSPECTS FOR 2013

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

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

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

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