

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2014

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

	Notes	Group		Bank	
		30-Sep-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000	31-Dec-13 RM'000
ASSETS					
Cash and short-term funds	11	17,254,429	15,104,134	17,254,429	15,104,134
Securities purchased under resale agreements		1,100,328	2,149,113	1,100,328	2,149,113
Deposits and placements with financial institutions	12	16,482	2,802,804	16,482	2,802,804
Financial assets at fair value through profit or loss	13	1,284,911	1,709,534	1,284,911	1,709,534
Available-for-sale ("AFS") securities	14	4,743,807	3,092,372	4,743,807	3,092,372
Loans and advances	15	65,143,395	61,308,278	65,333,563	61,479,326
Derivative financial assets	16	365,991	320,123	365,991	320,123
Other assets	17	636,059	707,528	637,127	711,322
Statutory deposits with Bank Negara Malaysia		2,069,050	1,925,500	2,069,050	1,925,500
Investment in subsidiaries		-	-	50	50
Investment in an associate		95,446	273,518	119,728	119,728
Property, plant and equipment		413,506	399,202	165,629	170,156
Deferred tax assets		53,857	212,053	56,029	214,224
Total assets		93,177,261	90,004,159	93,147,124	89,798,386
LIABILITIES AND EQUITY					
Deposits from customers	18	70,869,687	69,287,474	70,871,027	69,290,205
Deposits and placements of banks and other financial institutions	19	10,050,329	9,923,281	10,050,359	9,923,698
Bills and acceptances payable		2,537,401	1,734,677	2,537,401	1,734,677
Derivative financial liabilities	16	328,855	256,175	328,855	256,175
Other liabilities	20	1,503,410	1,506,305	1,501,973	1,504,716
Tax payable		(30,760)	25,135	(30,755)	25,187
Subordinated bonds	21	999,837	999,564	999,837	999,564
Total liabilities		86,258,759	83,732,611	86,258,697	83,734,222
Equity attributable to equity holders of the Bank					
Share capital		470,000	470,000	470,000	470,000
Reserves		6,448,502	5,801,548	6,418,427	5,594,164
Total equity		6,918,502	6,271,548	6,888,427	6,064,164
TOTAL LIABILITIES AND EQUITY		93,177,261	90,004,159	93,147,124	89,798,386
COMMITMENTS AND CONTINGENCIES	30	69,623,457	54,142,224	69,623,457	54,142,224

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

Group	Notes	Third Quarter Ended		Nine Months Ended	
		30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Operating revenue	22	1,214,183	1,111,673	3,492,948	3,178,481
Interest income	23	1,029,937	928,397	2,967,711	2,674,956
Interest expense	24	(558,308)	(531,955)	(1,649,011)	(1,521,037)
Net interest income		471,629	396,442	1,318,700	1,153,919
Other operating income	25	187,437	190,327	534,554	542,676
Operating income		659,066	586,769	1,853,254	1,696,595
Other operating expenses	26	(235,128)	(194,447)	(702,011)	(577,105)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities/ associate and net provision for commitments and contingencies		423,938	392,322	1,151,243	1,119,490
Allowance for impairment on loans and advances	27	(31,243)	(70,009)	(125,782)	(136,969)
(Impairment loss)/writeback on AFS securities/associate		(19,755)	8	(29,480)	(21,120)
Net writeback/(provision) for commitments and contingencies		153	(2,142)	(630)	(6,842)
		373,093	320,179	995,351	954,559
Share of net profit of associates		40,603	20,668	113,817	59,606
Profit before taxation		413,696	340,847	1,109,168	1,014,165
Income tax expense		(101,016)	(75,604)	(253,867)	(230,007)
Profit for the financial period attributable to equity holders of the Bank		312,680	265,243	855,301	784,158
Earnings per share - basic \ diluted (sen)		66.5	56.4	182.0	166.8

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

Bank	Notes	Third Quarter Ended		Nine Months Ended	
		30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Operating revenue	22	1,357,980	1,116,809	3,851,664	3,201,899
Interest income	23	1,032,079	930,160	2,973,384	2,680,244
Interest expense	24	(558,329)	(532,026)	(1,649,070)	(1,521,172)
Net interest income		473,750	398,134	1,324,314	1,159,072
Other operating income	25	329,092	190,680	887,595	557,787
Operating income		802,842	588,814	2,211,909	1,716,859
Other operating expenses	26	(237,316)	(196,819)	(708,637)	(584,755)
Operating profit before allowance for impairment on loans and advances, impairment loss on AFS securities and net provision for commitments and contingencies		565,526	391,995	1,503,272	1,132,104
Allowance for impairment on loans and advances	27	(31,243)	(70,009)	(125,782)	(136,969)
(Impairment loss)/writeback on AFS securities		-	8	(9,725)	(21,120)
Net writeback/(provision) for commitments and contingencies		153	(2,142)	(630)	(6,842)
Profit before taxation		534,436	319,852	1,367,135	967,173
Income tax expense		(100,966)	(76,307)	(253,812)	(234,382)
Profit for the financial period attributable to equity holders of the Bank		433,470	243,545	1,113,323	732,791
Earnings per share - basic \ diluted (sen)		92.2	51.8	236.9	155.9

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Profit for the period	312,680	265,243	855,301	784,158
Other comprehensive income/(loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Net (loss)/gain on revaluation of AFS securities	(40,826)	(1,107)	77,513	(11,599)
Income tax effect	10,207	276	(19,378)	2,899
Share of other comprehensive income of associate	80,713	-	80,713	-
Other comprehensive income/(loss) for the period, net of tax	50,094	(831)	138,848	(8,700)
Total comprehensive income for the period attributable to equity holders of the Bank	362,774	264,412	994,149	775,458

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Bank				
Profit for the period	433,470	243,545	1,113,323	732,791
Other comprehensive income/(loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Net (loss)/gain on revaluation of AFS securities	(40,826)	(1,107)	77,513	(11,599)
Income tax effect	10,207	276	(19,378)	2,899
Other comprehensive (loss)/income for the period, net of tax	(30,619)	(831)	58,135	(8,700)
Total comprehensive income for the period attributable to equity holders of the Bank	402,851	242,714	1,171,458	724,091

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

Company No. 271809K

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

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

GROUP	← Non-distributable				Distributable →		Total
	Share capital	Share premium	Statutory reserve	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014							
Balance as at 1 January 2014	470,000	322,555	470,000	104,015	(5,274)	4,910,252	6,271,548
Profit for the period	-	-	-	-	-	741,484	741,484
Share of other comprehensive income of associate	-	-	-	80,713	-	113,817	194,530
Other comprehensive income for the period	-	-	-	-	58,135	-	58,135
Total comprehensive income for the period	-	-	-	80,713	58,135	855,301	994,149
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2013	-	-	-	-	-	(347,195)	(347,195)
Balance as at 30 September 2014	470,000	322,555	470,000	184,728	52,861	5,418,358	6,918,502

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

Company No. 271809K

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

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

GROUP (con'td.)	← Non-distributable				Distributable →		Total
	Share capital	Share premium	Statutory reserve	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013							
Balance as at 1 January 2013	470,000	322,555	470,000	107,494	7,292	4,191,509	5,568,850
Profit for the period	-	-	-	-	-	724,552	724,552
Share of other comprehensive expense of:							
- associate	-	-	-	-	-	59,606	59,606
Other comprehensive loss for the period	-	-	-	-	(8,700)	-	(8,700)
Total comprehensive income for the period	-	-	-	-	(8,700)	784,158	775,458
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2012	-	-	-	-	-	(320,775)	(320,775)
Balance as at 30 September 2013	470,000	322,555	470,000	107,494	(1,408)	4,654,892	6,023,533

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

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

BANK	← Non-distributable		→ Distributable		Total	
	Share capital	Share premium	Statutory reserve	Net unrealised reserves on AFS securities		Retained profits
	RM'000	RM'000	RM'000	RM'000	RM'000	
2014						
Balance as at 1 January 2014	470,000	322,555	470,000	(5,274)	4,806,883	6,064,164
Profit for the period	-	-	-	-	1,113,323	1,113,323
Other comprehensive income for the period	-	-	-	58,135	-	58,135
Total comprehensive income for the period	-	-	-	58,135	1,113,323	1,171,458
Transactions with owners:						
Dividends paid:						
- final dividend for the year ended 31 December 2013	-	-	-	-	(347,195)	(347,195)
Balance as at 30 September 2014	470,000	322,555	470,000	52,861	5,573,011	6,888,427

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

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

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

BANK (con'td.)	← Non-distributable			→ Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Net unrealised reserves on AFS securities RM'000	Retained profits RM'000	
2013						
Balance as at 1 January 2013	470,000	322,555	470,000	7,292	4,135,672	5,405,519
Profit for the period	-	-	-	-	732,791	732,791
Other comprehensive loss for the period	-	-	-	(8,700)	-	(8,700)
Total comprehensive income for the period	-	-	-	(8,700)	732,791	724,091
Transactions with owners:						
Dividends paid:						
- final dividend for the year ended 31 December 2012	-	-	-	-	(320,775)	(320,775)
Balance as at 30 September 2013	470,000	322,555	470,000	(1,408)	4,547,688	5,808,835

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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

	Group		Bank	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	1,109,168	1,014,165	1,367,135	967,173
Adjustments for non-operating and non-cash items	(28,972)	(86,638)	(312,345)	(46,849)
Operating profit before working capital changes	1,080,196	927,527	1,054,790	920,324
Changes in working capital:				
Net changes in operating assets	(2,593,291)	(3,390,683)	(2,609,684)	(3,385,041)
Net changes in operating liabilities	2,537,513	6,304,917	2,535,889	6,305,492
Tax expense paid	(170,914)	(250,944)	(170,909)	(250,775)
Net cash generated from operating activities	853,504	3,590,817	810,086	3,590,000
Net cash (used in)/generated from investing activities	(1,142,607)	8,610,494	(1,099,189)	8,611,311
Net cash (used in)/generated from financing activities	(346,923)	179,489	(346,923)	179,489
Net (decrease)/increase in cash and cash equivalents during the period	(636,026)	12,380,800	(636,026)	12,380,800
Cash and cash equivalents at beginning of the period	17,906,938	7,308,291	17,906,938	7,308,291
Cash and cash equivalents at end of the period	17,270,912	19,689,091	17,270,912	19,689,091

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2013. The explanatory notes attached to the condensed interim financial standards provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

The significant accounting policies and method 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 2013, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2014:

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

The adoption of the above Amendments to MFRSs and IC Interpretations are not expected to have material financial impact to the Group and the Bank.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

1. BASIS OF PREPARATION (con'td.)

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

Effective for annual period beginning on or after 1 July 2014

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

Effective for annual period to be announced by MASB

i)	MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2009)
ii)	MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
iii)	MFRS 9	Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)
iv)	Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 (IFRS issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)	

Except for MFRS 9, the initial application of all the above applicable MFRSs and the Amendments to MFRSs are not expected to have any material financial impact to the Group and the Bank upon their first adoption.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank for the period ended 30 September 2014.

5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Group and the Bank for the period ended 30 September 2014.

6. DEBT AND EQUITY SECURITIES

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

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial year ended 31 December 2013.

8. DIVIDENDS

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

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

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

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the period ended 30 September 2014.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
Cash and balances with banks and other financial institutions	704,429	568,619
Money at call and deposit placements maturing within one month	16,550,000	14,535,515
	17,254,429	15,104,134

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
Licensed banks	16,482	2,804
Bank Negara Malaysia	-	2,800,000
	16,482	2,802,804

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
Held-for-trading securities		
At fair value:		
Bank Negara Malaysia bills	49,292	520,776
Malaysian Government treasury bills	129,156	156,609
Malaysian Government securities	181,449	178,292
Private debt securities	-	20,046
Bankers' acceptances and Islamic accepted bills	348,663	155,272
Total held-for-trading securities	708,560	1,030,995
Designated as fair value through profit or loss in Malaysia but denominated in United States Dollar		
Private debt securities	576,351	678,539
Total financial assets at fair value through profit or loss	1,284,911	1,709,534

UNITED OVERSEAS BANK (MALAYSIA) BHD

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

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
At fair value		
Money market instruments:		
Bank Negara Malaysia bills	439,512	-
Malaysian Government securities	2,817,031	2,019,524
Negotiable instruments of deposits	250,015	-
Cagamas bonds	854,010	708,571
	<u>4,360,568</u>	<u>2,728,095</u>
Private debt securities of Companies incorporated		
In Malaysia:		
Quoted Corporate bonds	317,567	360,664
Impairment loss	(39,960)	(30,235)
	<u>277,607</u>	<u>330,429</u>
Quoted securities:		
Shares of corporations outside Malaysia	16,549	17,363
Shares of corporations in Malaysia	3,759	3,937
	<u>20,308</u>	<u>21,300</u>
Unquoted securities:		
Shares*	85,048	-
	<u>85,048</u>	<u>-</u>
At Cost:		
Unquoted securities:		
Shares*	-	12,272
Private debt securities	276	276
	<u>276</u>	<u>12,548</u>
Total available-for-sale securities	<u>4,743,807</u>	<u>3,092,372</u>

* During the financial period, unquoted investment equity securities of the Group and the Bank were reclassified from carried at cost to carried at fair value.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**15. LOANS AND ADVANCES**

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,870,158	2,805,718	2,870,158	2,805,856
Term loans and revolving credits				
Housing loans	24,125,982	22,798,703	24,125,982	22,798,703
Syndicated term loans	477,795	465,207	477,795	465,207
Factoring	39,353	16,675	39,353	16,675
Other term loans	29,869,552	27,463,553	30,059,720	27,634,463
Credit cards receivable	2,087,281	2,108,922	2,087,281	2,108,922
Bills receivable	141,523	187,714	141,523	187,714
Trust receipts	1,564,712	1,519,341	1,564,712	1,519,341
Claims on customers under acceptance credits	5,020,530	4,929,703	5,020,530	4,929,703
Staff loans	53,476	56,270	53,476	56,270
Others	4,711	1,916	4,711	1,916
	66,255,073	62,353,722	66,445,241	62,524,770
Unearned interest	(62,803)	(43,083)	(62,803)	(43,083)
Gross loans and advances	66,192,270	62,310,639	66,382,438	62,481,687
Allowance for losses on loans and advances				
- Individual impairment	(236,396)	(274,857)	(236,396)	(274,857)
- Collective impairment	(812,479)	(727,504)	(812,479)	(727,504)
Net loans and advances	65,143,395	61,308,278	65,333,563	61,479,326

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

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	16,401,075	15,705,753	16,401,075	15,705,891
One year to three years	2,712,994	2,396,913	2,903,162	2,567,823
Three years to five years	4,424,302	3,733,183	4,424,302	3,733,183
Over five years	42,653,899	40,474,790	42,653,899	40,474,790
	66,192,270	62,310,639	66,382,438	62,481,687

(ii) By type of customer:

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	646	-	646	-
Domestic non-bank financial institutions				
- Stockbroking companies	1,027	5,397	1,027	5,397
- Others	222,688	120,874	222,688	120,874
Domestic business enterprises				
- Small medium enterprises	14,535,435	13,758,174	14,535,435	13,758,174
- Others	13,891,845	13,212,480	14,082,013	13,383,528
Individuals	32,085,168	30,293,603	32,085,168	30,293,603
Other domestic entities	7	-	7	-
Foreign entities	5,455,454	4,920,111	5,455,454	4,920,111
	66,192,270	62,310,639	66,382,438	62,481,687

(iii) By interest rate sensitivity:

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans	37,501	40,570	37,501	40,570
- Other fixed rate loans	4,473,093	4,080,341	4,473,093	4,080,341
Variable rate				
- Base lending rate-plus	59,706,876	56,166,422	59,706,876	56,166,560
- Cost-plus	1,974,800	2,023,306	2,164,968	2,194,216
	66,192,270	62,310,639	66,382,438	62,481,687

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

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,394,924	1,254,389	1,394,924	1,254,389
Mining and quarrying	192,211	122,989	192,211	122,989
Manufacturing	6,276,760	6,339,559	6,276,760	6,339,559
Electricity, gas and water	19,016	16,064	19,016	16,064
Construction	6,125,211	5,518,212	6,125,211	5,518,212
Wholesale, retail trade, restaurants and hotels	7,969,700	7,458,621	7,969,700	7,458,621
Transport, storage and communication	727,039	709,611	727,039	709,611
Finance, insurance and business services	2,228,317	2,203,172	2,228,317	2,203,172
Real estate	4,191,718	3,792,459	4,381,886	3,963,507
Community, social and personal services	209,560	187,501	209,560	187,501
Households of which:	36,857,814	34,708,062	36,857,814	34,708,062
- purchase of residential properties	24,901,847	23,562,824	24,901,847	23,562,824
- purchase of non residential properties	7,193,521	6,317,319	7,193,521	6,317,319
- others	4,762,446	4,827,919	4,762,446	4,827,919
Others	-	-	-	-
	66,192,270	62,310,639	66,382,438	62,481,687

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

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
Balance as at 1 January	1,073,975	994,171
Classified as impaired during the financial period/year	508,798	775,570
Amount recovered	(265,721)	(311,933)
Reclassified as non-impaired	(131,674)	(250,695)
Amount written off	(107,660)	(133,138)
Balance as at 30 September/31 December	1,077,718	1,073,975
Individual impairment	(236,396)	(274,857)
Net impaired loans and advances	841,322	799,118
Ratio of net impaired loans and advances to net loans and advances	1.3%	1.3%

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)**

- (vi)
- Movements in allowance for losses on loans and advances are as follows:**

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
<u>Collective Impairment</u>		
Balance as at 1 January	727,504	553,711
Allowance made during the financial period/year	84,975	173,793
Balance as at 30 September/31 December	812,479	727,504
<u>Individual Impairment</u>		
Balance as at 1 January	274,857	317,731
Allowance made during the financial period/year	141,387	265,748
Amount written back in respect of recoveries	(72,910)	(174,890)
Amount written off	(107,998)	(139,088)
Interest recognised on impaired loans	1,060	6,791
Transfer to debt restructuring	-	(1,435)
Balance as at 30 September/31 December	236,396	274,857

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

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	119	164
Manufacturing	301,065	281,825
Construction	223,680	198,229
Wholesale, retail trade, restaurants and hotels	105,108	125,429
Transport, storage and communication	4,545	1,909
Finance, insurance and business services	15,509	22,976
Real estate	7,475	16,709
Community, social and personal services	2,040	904
Households of which:	418,177	425,830
- purchase of residential properties	320,560	320,463
- purchase of non residential properties	34,111	37,862
- others	63,506	67,505
	1,077,718	1,073,975

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EXPLANATORY NOTES**15. LOANS AND ADVANCES (con'td.)**

(viii) Impaired loans and advances analysed by geographical distribution are as follows:

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
In Malaysia	1,077,718	1,073,975

16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES)

Financial derivatives are instruments whose values change in response to the change in one or more "underlying", such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 September 2014			
Foreign exchange contracts			
- forwards	9,863,360	141,886	94,257
- swaps	9,895,595	98,234	80,394
- options	3,429,892	14,216	12,151
Interest rate related contracts			
- swaps	20,251,074	90,007	120,172
Equity related contracts			
- swaps	950,461	19,739	18,829
- options	444,132	676	680
Commodity related contracts			
- swaps	65,081	259	1,658
- options	76,153	112	88
- future	75,872	862	626
	365,991	328,855	

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EXPLANATORY NOTES**16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (con'td.)**

	Contract or underlying principal amount RM'000	Group and Bank	
		Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2013			
Foreign exchange contracts			
- forwards	7,172,580	106,612	52,315
- swaps	7,235,948	83,977	29,180
- options	1,456,045	16,628	12,739
Interest rate related contracts			
- swaps	17,435,054	106,927	156,244
Equity related contracts			
- swaps	196,010	4,433	4,125
- options	588,596	1,508	1,508
Commodity related contracts			
- swaps	7,926	18	26
- future	7,836	20	38
		<u>320,123</u>	<u>256,175</u>

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

17. OTHER ASSETS

	Group		Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000	31-Dec-13 RM'000
Other receivables, deposits and prepayments	155,889	187,714	156,957	191,390
Accrued interest receivable	77,097	91,159	77,097	91,159
Amount due from subsidiaries	-	-	-	118
Precious metal accounts	403,073	428,655	403,073	428,655
	<u>636,059</u>	<u>707,528</u>	<u>637,127</u>	<u>711,322</u>

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EXPLANATORY NOTES**18. DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Demand deposits	17,243,281	16,435,460	17,243,507	16,437,099
Savings deposits	1,209,831	1,175,726	1,209,831	1,175,726
Fixed deposits	41,977,581	40,082,790	41,978,695	40,083,882
Negotiable instruments of deposits	24,424	466,963	24,424	466,963
Others	10,414,570	11,126,535	10,414,570	11,126,535
	70,869,687	69,287,474	70,871,027	69,290,205

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

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Due within six months	32,060,213	29,397,720	32,061,327	29,398,812
Six months to one year	9,171,576	10,556,700	9,171,576	10,556,700
One year to three years	679,772	592,009	679,772	592,009
Three years to five years	88,509	3,324	88,509	3,324
Over five years	1,935	-	1,935	-
	42,002,005	40,549,753	42,003,119	40,550,845

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

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Business enterprises				
- Subsidiaries	-	-	1,340	2,731
- Others	29,727,871	29,832,835	29,727,871	29,832,835
Individuals	34,814,609	32,969,314	34,814,609	32,969,314
Others	6,327,207	6,485,325	6,327,207	6,485,325
	70,869,687	69,287,474	70,871,027	69,290,205

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

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Licensed banks in Malaysia	167,308	201,265	167,308	201,265
Bank Negara Malaysia	1,745,643	1,748,559	1,745,643	1,748,559
Other financial institutions	8,137,378	7,973,457	8,137,408	7,973,874
	10,050,329	9,923,281	10,050,359	9,923,698

20. OTHER LIABILITIES

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies	1,561	932	1,561	932
Accrued interest payable	433,727	418,688	432,787	417,640
Accruals and provisions for operational expenses	120,276	140,110	119,785	139,608
Amount due to subsidiaries	-	-	57	-
Other accruals and provisions	668,956	650,638	668,893	650,599
Deferred income	278,890	295,937	278,890	295,937
	1,503,410	1,506,305	1,501,973	1,504,716

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EXPLANATORY NOTES

21. SUBORDINATED BONDS

	Group and Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
RM500 million Subordinated Bonds 2010/2020, at par (Note (a))	500,000	500,000
RM500 million Subordinated Bonds 2013/2023, at par (Note (b))	500,000	500,000
Unamortised expenses relating to issue of Subordinated Bonds	(163)	(436)
	<u>999,837</u>	<u>999,564</u>

- (a) On 29 March 2010, the Bank issued RM500 million 10 years Subordinated Bonds due in 2020 callable with step-up in 2015 (the "Bonds 1").

The Bonds 1 bear interest at the rate of 4.88% per annum from 29 March 2010 to 29 March 2015 and thereafter, at the rate of 5.88% per annum from 30 March 2015 to the date of early redemption in full of such Bonds 1 or maturity date of the Bonds (whichever is earlier).

The Bonds 1 may be redeemed at par at the option of the Bank, in whole but not in part, on 30 March 2015 or at any interest payment date thereafter.

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

The Bonds 1 have been rated AA1 by Rating Agency Malaysia Bhd and they qualify as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

- (b) On 30 August 2013, the Bank issued RM500 million Basel III compliant subordinated bonds (10 years maturity, non-callable 5 years) (the "Bonds 2").

The Bonds 2 bear interest at the rate of 4.55% per annum from 30 August 2013 to 30 August 2018 and thereafter, the rate of interest will be reset to a fixed rate per annum equal to the Initial Spread (1.05%) plus the prevailing 5 years Malaysian Government Securities Rate.

The Bonds 2 may be redeemed at par at the option of the Bank, in whole but not in part, on 30 August 2018 or at any interest payment date thereafter.

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

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

22. OPERATING REVENUE

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

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EXPLANATORY NOTES**23. INTEREST INCOME**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Interest income from loans and advances	832,121	729,091	2,376,020	2,116,809
Interest income from impaired loans and advances	23,369	21,653	58,943	56,509
Money at call and deposit placements with financial institutions	118,617	124,583	376,827	307,321
Financial assets at fair value through profit or loss	7,331	18,201	21,105	53,550
Available-for-sale securities	55,546	37,860	151,593	148,098
	1,036,984	931,388	2,984,488	2,682,287
Amortisation of premium less accretion of discount on:				
- financial assets at fair value through profit or loss	(408)	(58)	(773)	(307)
- available-for-sale securities	(6,639)	(2,933)	(16,004)	(7,024)
	1,029,937	928,397	2,967,711	2,674,956

Bank	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Interest income from loans and advances	834,263	730,854	2,381,693	2,122,097
Interest income from impaired loans and advances	23,369	21,653	58,943	56,509
Money at call and deposit placements with financial institutions	118,617	124,583	376,827	307,321
Financial assets at fair value through profit or loss	7,331	18,201	21,105	53,550
Available-for-sale securities	55,546	37,860	151,593	148,098
	1,039,126	933,151	2,990,161	2,687,575
Amortisation of premium less accretion of discount on:				
- financial assets at fair value through profit or loss	(408)	(58)	(773)	(307)
- available-for-sale securities	(6,639)	(2,933)	(16,004)	(7,024)
	1,032,079	930,160	2,973,384	2,680,244

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EXPLANATORY NOTES**24. INTEREST EXPENSE**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	487,945	496,564	1,439,060	1,417,295
Deposits and placements of banks and other financial institutions	37,949	9,456	110,251	54,027
Subordinated bonds	12,001	8,260	35,539	20,526
Others	20,413	17,675	64,161	29,189
	558,308	531,955	1,649,011	1,521,037

Bank	Third Quarter Ended		Nine Months Ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	487,945	496,564	1,439,060	1,417,295
Deposits and placements of banks and other financial institutions	37,970	9,527	110,310	54,162
Subordinated bonds	12,001	8,260	35,539	20,526
Others	20,413	17,675	64,161	29,189
	558,329	532,026	1,649,070	1,521,172

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EXPLANATORY NOTES**25. OTHER OPERATING INCOME**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
<u>Fee income</u>				
Commission	56,080	45,802	167,547	145,944
Guarantee fees	15,855	25,870	43,571	52,709
Service charges and fees	50,908	48,504	145,838	140,321
Commitment fees	6,920	6,792	21,922	19,298
Arrangement and participation fees	77	10,956	3,820	11,021
	129,840	137,924	382,698	369,293
<u>Trading and Investment income</u>				
Gain/(loss) from sale of financial assets at fair value through profit or loss	8,579	(4,474)	16,669	2,424
Loss from trading derivatives	(3,019)	(465)	(4,965)	(19,222)
Unrealised gain/(loss) from trading derivatives	9,867	(4,653)	2,803	21,674
Gain from sale of precious metal	832	241	1,382	4,441
Gain/(loss) from sale/recovery of available-for-sale securities	1,591	(426)	2,226	14,344
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(901)	4,222	(3,745)	(7,099)
Gross dividends from:				
- available-for-sale securities unquoted in Malaysia	253	323	774	732
	17,202	(5,232)	15,144	17,294
<u>Other income</u>				
Foreign exchange gain	35,973	50,013	123,694	136,570
Rental income from operating leases, other than those from investment properties	143	49	211	145
Gain/(loss) on disposal of property, plant and equipment	25	3,106	(120)	3,098
Other operating income	1,088	1,231	3,491	3,530
Others	3,166	3,236	9,436	12,746
	40,395	57,635	136,712	156,089
	187,437	190,327	534,554	542,676

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

Bank	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
<u>Fee income</u>				
Commission	56,080	45,802	167,547	145,944
Guarantee fees	15,855	25,870	43,571	52,709
Service charges and fees	50,953	48,533	145,944	140,411
Commitment fees	6,923	6,795	21,929	19,305
Arrangement and participation fees	77	10,956	3,820	11,021
	129,888	137,956	382,811	369,390
<u>Trading and Investment income</u>				
Gain/(loss) from sale of financial assets at fair value through profit or loss	8,575	(4,474)	16,665	2,424
Loss from trading derivatives	(3,018)	(465)	(4,965)	(19,222)
Unrealised gain/(loss) from trading derivatives	9,870	(4,653)	2,806	21,674
Gain from sale of precious metal	832	241	1,382	4,441
Gain/(loss) from sale/recovery of available-for-sale securities	1,591	(426)	2,226	14,344
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(900)	4,222	(3,744)	(7,099)
Gross dividends from:				
- available-for-sale securities unquoted in Malaysia	253	323	774	732
- subsidiaries	-	-	230	-
- an associate	141,708	3,370	352,849	18,122
	158,911	(1,862)	368,223	35,416
<u>Other income</u>				
Foreign exchange gain	35,973	50,013	123,694	136,570
Rental income from operating leases, other than those from investment properties	42	19	61	56
Gain/(loss) on disposal of property, plant and equipment	25	87	(120)	79
Other operating income	1,088	1,231	3,491	3,530
Others	3,165	3,236	9,435	12,746
	40,293	54,586	136,561	152,981
	329,092	190,680	887,595	557,787

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EXPLANATORY NOTES**26. OTHER OPERATING EXPENSES**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Personnel expenses	153,420	128,377	456,613	377,393
Establishment related expenses	43,938	31,554	119,075	96,727
Promotion and marketing related expenses	11,756	9,010	38,620	29,242
General administrative expenses	26,014	25,506	87,703	73,743
	235,128	194,447	702,011	577,105
<u>Personnel expenses</u>				
Wages, salaries and bonus	119,256	101,314	357,817	297,061
Defined contribution plan	18,712	16,034	55,737	48,134
Other employee benefits	15,452	11,029	43,059	32,198
	153,420	128,377	456,613	377,393
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	8,796	8,270	25,912	25,168
Hire of equipment	17	218	43	260
Information technology costs	11,523	4,823	24,877	12,486
Repair and maintenance	5,303	5,058	13,520	13,206
Rental of premises	3,630	3,255	10,217	10,110
Others	14,669	9,930	44,506	35,497
	43,938	31,554	119,075	96,727
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	11,756	9,010	38,620	29,242
<u>General administrative expenses</u>				
Fees and commissions paid	11,195	10,756	34,227	33,267
Others	14,819	14,750	53,476	40,476
	26,014	25,506	87,703	73,743

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

Bank	Third Quarter Ended		Nine Months Ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	152,538	127,656	454,066	375,164
Establishment related expenses	47,030	34,654	128,347	106,583
Promotion and marketing related expenses	11,745	9,110	38,580	29,356
General administrative expenses	26,003	25,399	87,644	73,652
	237,316	196,819	708,637	584,755
<u>Personnel expenses</u>				
Wages, salaries and bonus	118,522	100,774	355,618	295,321
Defined contribution plan	18,604	15,944	55,417	47,853
Other employee benefits	15,412	10,938	43,031	31,990
	152,538	127,656	454,066	375,164
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	7,260	6,732	21,312	20,454
Hire of equipment	17	218	43	260
Information technology costs	11,523	4,823	24,877	12,458
Repair and maintenance	5,311	4,995	13,729	13,244
Rental of premises	8,028	7,708	22,948	23,583
Others	14,891	10,178	45,438	36,584
	47,030	34,654	128,347	106,583
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	11,745	9,110	38,580	29,356
<u>General administrative expenses</u>				
Fees and commissions paid	11,195	10,658	34,193	33,200
Others	14,808	14,741	53,451	40,452
	26,003	25,399	87,644	73,652

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

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Allowance for impaired loans and advances				
(a) Individual impairment				
- made in the financial period	46,075	69,103	141,387	199,364
- written back in the financial period	(26,554)	(44,817)	(72,909)	(142,854)
(b) Collective impairment				
- made in the period	18,869	52,267	84,976	113,076
Impaired loans and advances				
- written off	2,198	4,217	4,885	2,306
- recovered	(9,345)	(10,761)	(32,557)	(34,923)
	31,243	70,009	125,782	136,969
<hr/>				
Bank	Third Quarter Ended		Nine Months Ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Allowance for impaired loans and advances				
(a) Individual impairment				
- made in the financial period	46,075	69,103	141,387	199,364
- written back in the financial period	(26,554)	(44,817)	(72,909)	(142,854)
(b) Collective impairment				
- made in the period	18,869	52,267	84,976	113,076
Impaired loans and advances				
- written off	2,198	4,217	4,885	2,306
- recovered	(9,345)	(10,761)	(32,557)	(34,923)
	31,243	70,009	125,782	136,969

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28. SEGMENT INFORMATION

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 to 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 Consumer, Privilege, Business and Private Banking. Consumer Banking serves the individual customers, while Business Banking serves small enterprises with a wide range of products and services, including deposits, loans, investments, credit and debit cards and insurance products. Privilege Banking provides an extended range of financial services, including wealth management, and restricted products such as structured notes, funds of hedge funds, and insurance plans to the wealthy plans and affluent customers. Private Banking caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning.

Wholesale Banking (WB)

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group (FIG), Corporate Finance and Debt Capital Markets. Commercial Banking serves the medium and large enterprise, while Corporate Banking serves large local corporations, government-linked companies and agencies, and FIG serves financial institutions. Commercial Banking, Corporate Banking 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. Corporate Finance provides services that include lead managing and underwriting equity offerings and corporate advisory services. Debt Capital Markets specialises in solution-based structures to meet clients' financing requirements in structuring, underwriting and arranging syndicated loans for general corporate needs, leveraged buy-outs, project and structured finance, and underwriting and lead managing bond issues.

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28. SEGMENT INFORMATION (cont'd.)

Global Markets and Investment Management (GMIM)

The GMIM segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, gold products, as well as an array of structured products. It is a player in Malaysia Ringgit treasury instruments as well as a provider of banknote services in the region. It also engages in asset management, proprietary investment activities and management of excess liquidity and capital funds.

Others

The other segments includes property-related activities and income and expenses not attributable to other operating segments. It also includes equity, which being the source of fund for the bank, will receive the corresponding funds credit or income to reflect its economic contribution.

Operating segments

Group	Retail RM'000	Wholesale Banking RM'000	GMIM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 September 2014							
Operating income	901,953	618,900	125,163	577,813	2,223,829	(370,575)	1,853,254
Other operating expenses	(471,369)	(130,399)	(31,232)	(84,992)	(717,992)	15,981	(702,011)
Allowance for impairment on loans and advances	(9,154)	(116,624)	-	(4)	(125,782)	-	(125,782)
Impairment loss on available-for-sale ("AFS") securities / associate	-	-	(9,725)	(19,755)	(29,480)	-	(29,480)
Net write back of provision for commitments and contingencies	(100)	(530)	-	-	(630)	-	(630)
Share of profit of associate (net of tax)	-	-	-	113,817	113,817	-	113,817
Profit before taxation	421,330	371,347	84,206	586,879	1,463,762	(354,594)	1,109,168
Income tax expense							(253,867)
							<u>855,301</u>

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28. Segment information (cont'd.)

Operating segments (cont'd.)

Group	Retail RM'000	Wholesale Banking RM'000	GMIM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 September 2014 (cont'd.)							
Other information							
Inter-segment operating income	(100,618)	(572)	(185,382)	657,147	370,575	(370,575)	-
Depreciation of property, plant and equipment	4,232	491	1,006	20,233	25,962	(50)	25,912
For period ended 30 September 2013							
Operating income	824,682	589,023	119,657	198,779	1,732,141	(35,546)	1,696,595
Other operating expenses	(387,851)	(111,847)	(31,322)	(63,157)	(594,177)	17,072	(577,105)
Allowance for impairment on loans and advances	(99,421)	(37,568)	-	20	(136,969)	-	(136,969)
Impairment loss on available-for-sale ("AFS") securities	-	-	(21,120)	-	(21,120)	-	(21,120)
Net write back of provision for commitments and contingencies	-	(6,842)	-	-	(6,842)	-	(6,842)
Share of profit of associate (net of tax)	-	-	-	59,606	59,606	-	59,606
Profit before taxation	337,410	432,766	67,215	195,248	1,032,639	(18,474)	1,014,165
Income tax expense							(230,007)
							784,158
Other information							
Inter-segment operating income	(47,284)	72,897	(216,954)	226,887	35,546	(35,546)	-
Depreciation of property, plant and equipment	3,998	423	974	19,863	25,258	(90)	25,168

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28. Segment information (cont'd.)

Operating segments (cont'd.)

Group	Retail RM'000	Wholesale Banking RM'000	GMIM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 September 2014							
Segment assets							
Gross loans	43,168,773	22,777,085	-	436,580	66,382,438	(190,168)	66,192,270
Unallocated assets							26,984,991
Total assets							<u>93,177,261</u>
Segment liabilities							
Deposits from customers	41,716,750	28,504,141	569,510	80,626	70,871,027	(1,340)	70,869,687
Unallocated liabilities							15,389,072
Total liabilities							<u>86,258,759</u>
As at 31 December 2013							
Segment assets							
Gross loans	40,757,790	21,332,864	-	391,033	62,481,687	(171,048)	62,310,639
Unallocated assets							27,693,520
Total assets							<u>90,004,159</u>
Segment liabilities							
Deposits from customers	40,185,843	28,880,676	145,633	78,053	69,290,205	(2,731)	69,287,474
Unallocated liabilities							14,445,137
Total liabilities							<u>83,732,611</u>

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EXPLANATORY NOTES**29. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY**

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is effective from 1 January 2013 and Basel II – Risk-weighted Assets framework.

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits - audited	4,563,057	4,910,252	4,459,688	4,806,883
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	171,928	113,793	52,861	(5,274)
Regulatory adjustments applied in the calculation of CET1 Capital	(248,436)	(343,300)	(131,710)	(226,563)
Total CET1/Tier 1 Capital	<u>5,749,104</u>	<u>5,943,300</u>	<u>5,643,394</u>	<u>5,837,601</u>
<u>Tier 2 Capital</u>				
Tier 2 capital instruments	900,000	950,000	900,000	950,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	211,813	193,348	211,813	198,014
- Collective impairment provisions	37,973	34,322	32,605	29,656
Regulatory adjustments applied in the calculation of Tier 2 Capital	(42,274)	(66,219)	(95,822)	(119,778)
Total Tier 2 Capital	<u>1,107,512</u>	<u>1,111,451</u>	<u>1,048,596</u>	<u>1,057,892</u>
Total capital	<u>6,856,616</u>	<u>7,054,751</u>	<u>6,691,990</u>	<u>6,895,493</u>

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EXPLANATORY NOTES**29. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (con'td.)**

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

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
CET1/Tier 1 Capital	13.746%	14.980%	13.576%	14.801%
Total Capital	16.393%	17.781%	16.098%	17.483%

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

	Group		Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000	31-Dec-13 RM'000
Total RWA for credit risk	37,033,000	35,082,686	36,778,125	34,848,132
Total RWA for market risk	558,478	676,592	558,478	676,592
Total RWA for operational risk	4,233,803	3,916,707	4,233,803	3,916,707
	41,825,281	39,675,985	41,570,406	39,441,431

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EXPLANATORY NOTES**30. COMMITMENTS AND CONTINGENCIES**

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

	Group and Bank		Risk Weighted Amount RM'000
	Principal Amount RM'000	Credit Equivalent Amount RM'000	
As at 30 September 2014			
Direct credit substitutes	2,485,118	2,485,118	1,661,118
Transaction-related contingent items	4,170,462	2,063,464	1,264,796
Short-term self-liquidating trade-related contingencies	370,058	88,052	52,175
Foreign exchange related contracts			
- less than one year	22,728,135	448,800	143,505
- more than one year to less than five years	446,035	44,881	44,881
Interest rate related contracts			
- less than one year	4,999,897	18,228	9,881
- more than one year to less than five years	14,085,225	443,423	249,144
- five years and above	214,370	16,443	12,193
Equity related contracts			
- less than one year	466,351	43,603	20,920
- more than one year to less than five years	453,011	22,931	10,953
Commodity related contracts			
- less than one year	58,740	5,979	4,666
Undrawn credit facility			
- less than one year	9,989,962	649,079	135,372
- more than one year	1,696,353	256,661	207,670
- unconditionally cancellable	7,459,740	2,179,742	253,475
Total	69,623,457	8,766,404	4,070,749

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EXPLANATORY NOTES**30. COMMITMENTS AND CONTINGENCIES (con'td.)**

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

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

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

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

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EXPLANATORY NOTES

31. PERFORMANCE REVIEW

For the nine months ended 30 September 2014, the Group recorded a pre-tax profit of RM1,109.2 million, an increase of RM95.0 million or 9.4% higher as compared to the corresponding period last year. The better performance was mainly on the back of higher total income, lower impairments and higher share of net profit of associates, partially offset by higher other operating expenses.

Net interest income increased by RM164.8 million or 14.3% to RM1,318.7 million, supported mainly by loans growth. Other operating income fell by RM8.1 million or 1.5% to RM534.6 million mainly due to lower gain on foreign exchange, lower trading and investment income, partially offset by higher fee income.

Total operating expenses increased by RM124.9 million or 21.6% to RM702.0 million as we continued to invest in people and infrastructure.

Allowance for impairment on loans and advances decreased by RM11.2 million or 8.2% to RM125.8 million mainly contributed by lower collective impairment, partially offset by higher individual impairment. Asset quality remained sound with the net non-performing loans ratio at 1.3%.

As at 30 September 2014, gross loans increased by RM3.9 billion or 6.2% to RM66.2 billion while non-bank deposits increased by RM1.6 billion or 2.3% to RM70.9 billion.

32. PROSPECTS FOR 2014

The global economy is expected to grow at a moderate pace, with ongoing economic recovery seen in some advanced economies benefitting international trade activities. Uncertainty over policy changes in key economies and geopolitical risks continue to be a concern.

The Malaysian economy is expected to remain on a steady growth path with private sector activity as the key driver of growth. Export growth is expected to moderate slightly in the second half of the year, although this will be supported by the recovery in the advanced economies and regional demand.

The Group continues to target to achieve a satisfactory set of results for 2014.