

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2016**

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 2016**

	Notes	Group		Bank	
		30-Sep-16 RM'000	31-Dec-15 RM'000	30-Sep-16 RM'000	31-Dec-15 RM'000
<b>ASSETS</b>					
Cash and short-term funds	11	<b>12,378,165</b>	7,735,351	<b>12,378,165</b>	7,735,351
Securities purchased under resale agreements		<b>787,452</b>	4,984,364	<b>787,452</b>	4,984,364
Deposits and placements with financial institutions	12	<b>311,545</b>	13,082	<b>311,545</b>	13,082
Financial assets at fair value through profit or loss ("FVTPL")	13	<b>371,858</b>	1,834,666	<b>371,858</b>	1,834,666
Available-for-sale ("AFS") securities	14	<b>6,084,717</b>	5,228,465	<b>6,084,717</b>	5,228,465
Loans and advances	15	<b>74,168,995</b>	70,872,652	<b>74,352,995</b>	71,058,275
Derivative financial assets	16	<b>453,755</b>	1,030,632	<b>453,755</b>	1,030,632
Other assets	17	<b>510,308</b>	927,195	<b>514,588</b>	931,563
Statutory deposits with Bank Negara Malaysia		<b>1,815,401</b>	2,212,280	<b>1,815,401</b>	2,212,280
Investment in subsidiaries		-	-	<b>40</b>	50
Investment in an associate		<b>11,492</b>	11,313	<b>13,522</b>	13,522
Property, plant and equipment		<b>523,079</b>	503,202	<b>227,724</b>	208,910
Tax recoverable		-	168	-	-
Deferred tax assets		<b>5,178</b>	25,086	<b>20,995</b>	40,903
<b>Total assets</b>		<b>97,421,945</b>	95,378,456	<b>97,332,757</b>	95,292,063
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	<b>79,947,125</b>	76,073,106	<b>79,949,337</b>	76,078,163
Deposits and placements of banks and other financial institutions	19	<b>5,015,299</b>	6,837,537	<b>5,015,329</b>	6,837,567
Bills and acceptances payables		<b>280,569</b>	305,544	<b>280,569</b>	305,544
Derivative financial liabilities	16	<b>451,021</b>	1,033,434	<b>451,021</b>	1,033,434
Other liabilities	20	<b>1,802,797</b>	1,711,546	<b>1,801,197</b>	1,709,288
Tax payable		<b>108,449</b>	140,984	<b>108,486</b>	140,960
Subordinated bonds	21	<b>1,509,645</b>	1,499,727	<b>1,509,645</b>	1,499,727
<b>Total liabilities</b>		<b>89,114,905</b>	87,601,878	<b>89,115,584</b>	87,604,683

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**AS AT 30 SEPTEMBER 2016**

		<b>Group</b>		<b>Bank</b>	
	<b>Notes</b>	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>					
Share capital		<b>470,000</b>	470,000	<b>470,000</b>	470,000
Reserves		<b>7,837,040</b>	7,306,578	<b>7,747,173</b>	7,217,380
<b>Total equity</b>		<b>8,307,040</b>	7,776,578	<b>8,217,173</b>	7,687,380
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>97,421,945</b>	95,378,456	<b>97,332,757</b>	95,292,063
<b>Commitments and contingencies</b>	30	<b>84,940,746</b>	86,992,348	<b>84,940,746</b>	86,992,348

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 2015.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

Group	Notes	Third Quarter Ended		Nine Months Ended	
		30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Operating revenue	22	<b>1,374,395</b>	1,304,412	<b>4,021,212</b>	3,766,406
Interest income	23	<b>1,147,789</b>	1,095,625	<b>3,394,762</b>	3,209,928
Interest expense	24	<b>(667,050)</b>	(617,213)	<b>(1,955,693)</b>	(1,798,772)
Net interest income		<b>480,739</b>	478,412	<b>1,439,069</b>	1,411,156
Net income from Islamic					
Banking operations	33	<b>1,821</b>	-	<b>1,821</b>	-
Other operating income	25	<b>228,800</b>	212,018	<b>635,141</b>	565,910
Operating income		<b>711,360</b>	690,430	<b>2,076,031</b>	1,977,066
Other operating expenses	26	<b>(265,531)</b>	(261,172)	<b>(788,196)</b>	(772,990)
Operating profit before allowance for impairment on loans and advances and provision for commitments and contingencies		<b>445,829</b>	429,258	<b>1,287,835</b>	1,204,076
Allowance for impairment on loans and advances	27	<b>(61,892)</b>	(94,181)	<b>(189,056)</b>	(143,173)
Writeback of /(provision) for commitments and contingencies		<b>(3,919)</b>	1,239	<b>5,337</b>	(23,025)
		<b>380,018</b>	336,316	<b>1,104,116</b>	1,037,878
Share of net profit of an associate		<b>78</b>	64	<b>179</b>	1,235
Profit before taxation		<b>380,096</b>	336,380	<b>1,104,295</b>	1,039,113
Income tax expense		<b>(90,290)</b>	(81,918)	<b>(263,225)</b>	(249,248)
Profit for the period attributable to equity holders of the Bank		<b>289,806</b>	254,462	<b>841,070</b>	789,865
Basic Earnings per share (sen)		<b>61.7</b>	54.1	<b>179.0</b>	168.1

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2015.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS (cont'd.)**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

Bank	Notes	Third Quarter Ended		Nine Months Ended	
		30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Operating revenue	22	<b>1,376,532</b>	1,306,545	<b>4,027,683</b>	3,772,890
Interest income	23	<b>1,149,969</b>	1,097,796	<b>3,401,359</b>	3,216,529
Interest expense	24	<b>(667,068)</b>	(617,232)	<b>(1,955,753)</b>	(1,798,846)
Net interest income		<b>482,901</b>	480,564	<b>1,445,606</b>	1,417,683
Net income from Islamic					
Banking operations	33	<b>1,821</b>	-	<b>1,821</b>	-
Other operating income	25	<b>228,758</b>	211,979	<b>635,171</b>	565,793
Operating income		<b>713,480</b>	692,543	<b>2,082,598</b>	1,983,476
Other operating expenses	26	<b>(267,830)</b>	(263,299)	<b>(794,108)</b>	(780,473)
Operating profit before allowance for impairment on loans and advances and provision for commitments and contingencies		<b>445,650</b>	429,244	<b>1,288,490</b>	1,203,003
Allowance for impairment on loans and advances	27	<b>(63,477)</b>	(94,181)	<b>(190,641)</b>	(143,173)
Writeback of /(provision) for commitments and contingencies		<b>(3,919)</b>	1,239	<b>5,337</b>	(23,025)
Profit before taxation		<b>378,254</b>	336,302	<b>1,103,186</b>	1,036,805
Income tax expense		<b>(90,072)</b>	(81,907)	<b>(262,785)</b>	(249,186)
Profit for the period attributable to equity holders of the Bank		<b>288,182</b>	254,395	<b>840,401</b>	787,619
Basic Earnings per share (sen)		<b>61.3</b>	54.1	<b>178.8</b>	167.6

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 2015.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

<b>Group</b>	<b>Third Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30-Sep-16 RM'000</b>	<b>30-Sep-15 RM'000</b>	<b>30-Sep-16 RM'000</b>	<b>30-Sep-15 RM'000</b>
Profit for the period	<b>289,806</b>	254,462	<b>841,070</b>	789,865
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on revaluation of AFS securities	<b>20,064</b>	(50,902)	<b>82,950</b>	(29,349)
Income tax effect	<b>(4,815)</b>	12,725	<b>(19,908)</b>	7,337
Other comprehensive income/(loss) for the period, net of tax	<b>15,249</b>	(38,177)	<b>63,042</b>	(22,012)
Total comprehensive income for the period attributable to equity holders of the Bank	<b>305,055</b>	216,285	<b>904,112</b>	767,853

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 2015.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**CONDENSED INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Third Quarter		Nine Months	
	Ended		Ended	
<b>Bank</b>	<b>30-Sep-16</b>	30-Sep-15	<b>30-Sep-16</b>	30-Sep-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit for the period	<b>288,182</b>	254,395	<b>840,401</b>	787,619
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on revaluation of AFS securities	<b>20,064</b>	(50,902)	<b>82,950</b>	(29,349)
Income tax effect	<b>(4,815)</b>	12,725	<b>(19,908)</b>	7,337
Other comprehensive income/(loss) for the period, net of tax	<b>15,249</b>	(38,177)	<b>63,042</b>	(22,012)
Total comprehensive income for the period attributable to equity holders of the Bank	<b>303,431</b>	216,218	<b>903,443</b>	765,607

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 2015.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

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
<b>2016</b>							
Balance as at 1 January 2016	470,000	322,555	470,000	145,190	63,289	6,305,544	7,776,578
Profit for the period	-	-	-	-	-	841,070	841,070
Other comprehensive income	-	-	-	-	63,042	-	63,042
Total comprehensive income	-	-	-	-	63,042	841,070	904,112
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2015	-	-	-	-	-	(373,650)	(373,650)
Balance as at 30 September 2016	470,000	322,555	470,000	145,190	126,331	6,772,964	8,307,040

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 2015.



**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**CONDENSED INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

<b>GROUP (cont'd.)</b>	← Non-distributable →				Distributable		Total
	Share capital	Share premium	Statutory reserve	Revaluation reserves	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>							
Balance as at 1 January 2015	470,000	322,555	470,000	104,297	65,132	5,691,949	7,123,933
Profit for the period	-	-	-	-	-	789,865	789,865
Other comprehensive loss	-	-	-	-	(22,012)	-	(22,012)
Total comprehensive income	-	-	-	-	(22,012)	789,865	767,853
Transactions with owners:							
Dividends paid:							
- final dividend for the year ended 31 December 2014	-	-	-	-	-	(453,080)	(453,080)
Balance as at 30 September 2015	470,000	322,555	470,000	104,297	43,120	6,028,734	7,438,706

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 2015.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

<b>BANK</b>	← Non-distributable			Distributable		Total
	Share capital	Share premium	Statutory reserve	Net unrealised reserves on AFS securities	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>						
Balance as at 1 January 2016	470,000	322,555	470,000	56,387	6,368,438	7,687,380
Profit for the period	-	-	-	-	840,401	840,401
Other comprehensive income	-	-	-	63,042	-	63,042
Total comprehensive income	-	-	-	63,042	840,401	903,443
Transactions with owners:						
Dividends paid:						
- final dividend for the year ended 31 December 2015	-	-	-	-	(373,650)	(373,650)
Balance as at 30 September 2016	470,000	322,555	470,000	119,429	6,835,189	8,217,173

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 2015.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**CONDENSED INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

<b>BANK (cont'd.)</b>	← Non-distributable			→	Distributable	
	Share capital	Share premium	Statutory reserve	Net unrealised reserves on AFS securities	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>						
Balance as at 1 January 2015	470,000	322,555	470,000	58,230	5,753,972	7,074,757
Profit for the period	-	-	-	-	787,619	787,619
Other comprehensive loss	-	-	-	(22,012)	-	(22,012)
Total comprehensive income	-	-	-	(22,012)	787,619	765,607
Transactions with owners:						
Dividends paid:						
- final dividend for the year ended 31 December 2014	-	-	-	-	(453,080)	(453,080)
Balance as at 30 September 2015	470,000	322,555	470,000	36,218	6,088,511	7,387,284

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 2015.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	30-Sep-15	<b>30-Sep-16</b>	30-Sep-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before taxation	<b>1,104,295</b>	1,039,113	<b>1,103,186</b>	1,036,805
Adjustments for non-operating and non-cash items	<b>168,231</b>	(579,287)	<b>162,908</b>	(582,712)
Operating profit before working capital changes	<b>1,272,526</b>	459,826	<b>1,266,094</b>	454,093
Changes in working capital:				
Net changes in operating assets	<b>3,582,853</b>	(7,116,000)	<b>3,582,978</b>	(7,115,564)
Net changes in operating liabilities	<b>1,396,425</b>	3,169,567	<b>1,394,237</b>	3,171,139
Tax expense paid	<b>(295,593)</b>	(209,029)	<b>(295,259)</b>	(209,032)
Net cash generated from/(used in) operating activities	<b>5,956,211</b>	(3,695,636)	<b>5,948,050</b>	(3,699,364)
Net cash (used in)/generated from investing activities	<b>(651,202)</b>	4,505,304	<b>(643,041)</b>	4,509,032
Net cash (used in)/generated from financing activities	<b>(363,732)</b>	40,244	<b>(363,732)</b>	40,244
Net increase in cash and cash equivalents	<b>4,941,277</b>	849,912	<b>4,941,277</b>	849,912
Cash and cash equivalents at beginning of the period	<b>7,748,433</b>	10,963,863	<b>7,748,433</b>	10,963,863
Cash and cash equivalents at end of the period	<b>12,689,710</b>	11,813,775	<b>12,689,710</b>	11,813,775
<b>Analysis of cash and cash equivalents</b>				
Cash and short term funds	<b>12,378,165</b>	11,801,995	<b>12,378,165</b>	11,801,995
Deposits and placements with financial institutions	<b>311,545</b>	11,780	<b>311,545</b>	11,780
	<b>12,689,710</b>	11,813,775	<b>12,689,710</b>	11,813,775

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 2015.

**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 2015. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial positions and performance of the Group and the Bank since the financial year ended 31 December 2015.

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 2015.

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 financial periods beginning on or after 1 January 2018***

*MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)*

*MFRS 15: Revenue from Contracts with Customers*

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

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and the Bank upon their initial application except as described below:

**MFRS 9 Financial Instruments**

In November 2014, MASB issued the final version of MFRS 9 *Financial Instruments* which reflects all phases of the financial instruments and replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**  
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**EXPLANATORY NOTES**

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

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.

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

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

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

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

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank for the financial period ended 30 September 2016.

**5. CHANGES IN ESTIMATES**

There were no significant changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 September 2016.

**6. DEBT AND EQUITY SECURITIES**

There were no issuances of shares, share buy-backs and repayment of debt and equity securities during the financial period ended 30 September 2016.

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

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that was brought forward from the previous audited financial statements for the financial year ended 31 December 2015.

**UNITED OVERSEAS BANK (MALAYSIA) BHD**  
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**EXPLANATORY NOTES**

**8. DIVIDENDS**

A final single-tier dividend of 79.5% in respect of the financial year ended 31 December 2015, amounting to RM373,650,000 was paid on 25 April 2016.

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

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

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

There were no changes in the composition of the Group for the financial period ended 30 September 2016.

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

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>1,104,265</b>	639,951
Money at call and deposit placements maturing within one month	<b>11,273,900</b>	7,095,400
	<b><u>12,378,165</u></b>	<u>7,735,351</u>

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

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
Financial institutions	<b>11,545</b>	13,082
Bank Negara Malaysia	<b>300,000</b>	-
	<b><u>311,545</u></b>	<u>13,082</u>

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**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
<b>Held-for-trading securities</b>		
<b>At fair value:</b>		
Malaysian Government treasury bills	<b>48,768</b>	-
Malaysian Government securities	<b>173,060</b>	313,261
Negotiable instruments of deposits	<b>150,030</b>	1,190,049
<b>Total held-for-trading securities</b>	<b>371,858</b>	1,503,310
<b>Designated as FVTPL, companies incorporated in     Malaysia but denominated in United States Dollar</b>		
Private debt securities	-	331,356
<b>Total financial assets at FVTPL</b>	<b>371,858</b>	1,834,666



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**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
<b>Money market instruments:</b>		
Bank Negara Malaysia bills	-	14,256
Malaysian Government treasury bills	-	158,046
Malaysian Government securities	<b>3,532,542</b>	3,368,246
Negotiable instruments of deposits	<b>1,080,106</b>	925,079
Cagamas bonds	<b>1,207,899</b>	529,118
	<b><u>5,820,547</u></b>	<u>4,994,745</u>
<b>Private debt securities of companies incorporated</b>		
In Malaysia:		
Quoted corporate bonds	<b>177,745</b>	194,872
Impairment loss	<b>(39,960)</b>	(39,960)
	<b><u>137,785</u></b>	<u>154,912</u>
<b>Quoted securities:</b>		
Shares of corporations in Malaysia	<b>2,981</b>	3,737
	<b><u>2,981</u></b>	<u>3,737</u>
<b>Unquoted securities:</b>		
Shares	<b>123,128</b>	74,795
	<b><u>123,128</u></b>	<u>74,795</u>
<b>At Cost:</b>		
<b>Unquoted securities:</b>		
Private debt securities	<b>276</b>	276
	<b><u>276</u></b>	<u>276</u>
<b>Total AFS securities</b>	<b><u>6,084,717</u></b>	<u>5,228,465</u>
<b>Movements in allowance for impairment on private debt security is as follows:</b>		
Balance as at 1 January/30 September	<b><u>(39,960)</u></b>	<u>(39,960)</u>

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**EXPLANATORY NOTES****15. LOANS AND ADVANCES**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Overdrafts	<b>3,148,365</b>	3,020,017	<b>3,148,365</b>	3,020,017
Term loans and revolving credits				
- Housing loans	<b>26,938,382</b>	25,588,836	<b>26,938,382</b>	25,588,836
- Syndicated term loans	<b>848,719</b>	726,714	<b>848,719</b>	726,714
- Other term loans	<b>34,337,915</b>	32,701,629	<b>34,523,500</b>	32,887,252
Credit cards receivable	<b>2,325,848</b>	2,304,693	<b>2,325,848</b>	2,304,693
Bills receivable	<b>1,223,826</b>	1,121,872	<b>1,223,826</b>	1,121,872
Trust receipts	<b>1,796,924</b>	1,939,287	<b>1,796,924</b>	1,939,287
Claims on customers under acceptance credits	<b>4,911,758</b>	4,695,198	<b>4,911,758</b>	4,695,198
Staff loans	<b>46,399</b>	48,637	<b>46,399</b>	48,637
Others	<b>9,616</b>	11,694	<b>9,616</b>	11,694
	<b>75,587,752</b>	72,158,577	<b>75,773,337</b>	72,344,200
Unearned interest	<b>(92,665)</b>	(82,573)	<b>(92,665)</b>	(82,573)
<b>Gross loans and advances</b>	<b>75,495,087</b>	72,076,004	<b>75,680,672</b>	72,261,627
<b>Allowance for losses on loans and advances</b>				
- Individual impairment	<b>(181,528)</b>	(183,854)	<b>(181,528)</b>	(183,854)
- Collective impairment	<b>(1,144,564)</b>	(1,019,498)	<b>(1,146,149)</b>	(1,019,498)
<b>Net loans and advances</b>	<b>74,168,995</b>	70,872,652	<b>74,352,995</b>	71,058,275

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**EXPLANATORY NOTES**

**15. LOANS AND ADVANCES (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>20,108,188</b>	18,698,162	<b>20,108,188</b>	18,698,162
One year to three years	<b>4,329,750</b>	4,280,129	<b>4,515,335</b>	4,465,752
Three years to five years	<b>4,774,197</b>	4,258,005	<b>4,774,197</b>	4,258,005
Over five years	<b>46,282,952</b>	44,839,708	<b>46,282,952</b>	44,839,708
	<b>75,495,087</b>	72,076,004	<b>75,680,672</b>	72,261,627

**(ii) Gross loans and advances by type of customer:**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic banking institutions	<b>24,431</b>	21,180	<b>24,431</b>	21,180
Domestic non-bank financial institutions				
- Stockbroking companies	<b>15,183</b>	10,029	<b>15,183</b>	10,029
- Others	<b>383,303</b>	126,148	<b>383,303</b>	126,148
Domestic business enterprises				
- Small medium enterprises	<b>16,322,922</b>	15,262,243	<b>16,322,922</b>	15,262,243
- Others	<b>15,045,771</b>	15,151,497	<b>15,231,356</b>	15,337,120
Individuals	<b>36,593,105</b>	34,743,663	<b>36,593,105</b>	34,743,663
Foreign entities	<b>7,110,372</b>	6,761,244	<b>7,110,372</b>	6,761,244
	<b>75,495,087</b>	72,076,004	<b>75,680,672</b>	72,261,627

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**EXPLANATORY NOTES**

**15. LOANS AND ADVANCES (cont'd.)**

**(iii) Gross loans and advances by interest rate sensitivity:**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	<b>31-Dec-15</b>	<b>30-Sep-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed rate				
- Housing loans	<b>35,359</b>	37,756	<b>35,359</b>	37,756
- Other fixed rate loans	<b>8,347,985</b>	8,131,801	<b>8,347,985</b>	8,131,801
Variable rate				
- Base rate/base lending rate-plus	<b>49,289,904</b>	47,593,910	<b>49,289,904</b>	47,593,910
- Cost-plus	<b>16,709,564</b>	15,086,407	<b>16,895,149</b>	15,272,030
- Other variable rates	<b>1,112,275</b>	1,226,130	<b>1,112,275</b>	1,226,130
	<b>75,495,087</b>	72,076,004	<b>75,680,672</b>	72,261,627

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**15. LOANS AND ADVANCES (cont'd.)**

**(iv) Gross loans and advances by economic sector:**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	<b>31-Dec-15</b>	<b>30-Sep-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	<b>1,332,478</b>	1,193,721	<b>1,332,478</b>	1,193,721
Mining and quarrying	<b>1,154,538</b>	986,162	<b>1,154,538</b>	986,162
Manufacturing	<b>6,092,486</b>	6,290,410	<b>6,092,486</b>	6,290,410
Electricity, gas and water	<b>74,565</b>	65,959	<b>74,565</b>	65,959
Construction	<b>7,568,783</b>	7,592,538	<b>7,568,783</b>	7,592,538
Wholesale, retail trade, restaurants and hotels	<b>9,060,577</b>	9,083,236	<b>9,060,577</b>	9,083,236
Transport, storage and communication	<b>924,044</b>	1,018,265	<b>924,044</b>	1,018,265
Finance, insurance and business services	<b>2,536,404</b>	2,190,185	<b>2,536,404</b>	2,190,185
Real estate	<b>4,865,887</b>	3,631,753	<b>5,051,472</b>	3,817,376
Community, social and personal services	<b>142,958</b>	147,596	<b>142,958</b>	147,596
Households:				
- purchase of residential properties	<b>27,801,720</b>	26,459,480	<b>27,801,720</b>	26,459,480
- purchase of non residential properties	<b>8,914,744</b>	8,474,411	<b>8,914,744</b>	8,474,411
- others	<b>5,025,903</b>	4,942,288	<b>5,025,903</b>	4,942,288
	<b>75,495,087</b>	72,076,004	<b>75,680,672</b>	72,261,627

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**EXPLANATORY NOTES**

**15. LOANS AND ADVANCES (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
Balance as at 1 January	<b>1,216,181</b>	1,069,069
Classified as impaired during the period/year	<b>674,907</b>	854,466
Amount recovered	<b>(252,310)</b>	(318,031)
Reclassified as non-impaired	<b>(348,736)</b>	(245,202)
Amount written off	<b>(86,090)</b>	(144,121)
Balance as at 30 September/31 December	<b>1,203,952</b>	1,216,181
Individual impairment	<b>(181,528)</b>	(183,854)
Net impaired loans and advances	<b>1,022,424</b>	1,032,327
Ratio of net impaired loans and advances to net loans and advances	<b>1.4%</b>	1.5%

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b><u>Collective Impairment</u></b>				
Balance as at 1 January	<b>1,019,498</b>	909,718	<b>1,019,498</b>	909,718
Allowance made during the period/year	<b>125,066</b>	109,780	<b>126,651</b>	109,780
Balance as at 30 September/31 December	<b>1,144,564</b>	1,019,498	<b>1,146,149</b>	1,019,498

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**EXPLANATORY NOTES**

**15. LOANS AND ADVANCES (cont'd.)**

**(vi) Movements in allowance for losses on loans and advances are as follows (cont'd.):**

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
<b><u>Individual Impairment</u></b>		
Balance as at 1 January	<b>183,854</b>	203,200
Allowance made during the period/year	<b>155,872</b>	273,008
Amount written back in respect of recoveries	<b>(64,591)</b>	(139,523)
Amount written off	<b>(88,323)</b>	(147,294)
Interest recognised on impaired loans	<b>(5,284)</b>	(2,492)
Other adjustment/transferred to debt restructuring	-	(3,045)
Balance as at 30 September/31 December	<b>181,528</b>	183,854

**(vii) Impaired loans and advances analysed by economic sectors are as follows:**

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
Mining and quarrying	-	360
Manufacturing	<b>128,284</b>	204,103
Construction	<b>148,053</b>	200,318
Wholesale, retail trade, restaurants and hotels	<b>132,782</b>	140,881
Transport, storage and communication	<b>99,612</b>	100,232
Finance, insurance and business services	<b>130,040</b>	17,355
Real estate	<b>52,431</b>	48,921
Community, social and personal services	<b>744</b>	862
Households:		
- purchase of residential properties	<b>367,469</b>	370,721
- purchase of non residential properties	<b>48,555</b>	49,585
- others	<b>95,982</b>	82,843
	<b>1,203,952</b>	1,216,181

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**EXPLANATORY NOTES**

**15. LOANS AND ADVANCES (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
In Malaysia	<b>1,203,952</b>	1,216,181

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



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**EXPLANATORY NOTES****16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (cont'd.)**

The fair values of the derivatives are as follows:

	<b>Group and Bank</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>As at 30 September 2016</b>			
Foreign exchange contracts			
- forwards	7,571,277	115,618	81,768
- swaps	8,906,542	40,640	66,915
- options	1,056,258	9,024	7,091
Interest rate related contracts			
- swaps	26,709,846	232,876	239,984
- futures	24,813	34	43
Equity related contracts			
- swaps	302,811	47,302	47,302
- options	526,842	5,518	5,518
Commodity related contracts			
- swaps	122,395	2,223	2,263
- futures	6,441	58	67
- options	220,775	462	70
	<u>                    </u>	<u>453,755</u>	<u>451,021</u>

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**EXPLANATORY NOTES**

**16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (cont'd.)**

	<b>Group and Bank</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>As at 31 December 2015</b>			
Foreign exchange contracts			
- forwards	9,996,576	442,551	120,441
- swaps	11,827,268	176,849	346,826
- options	1,388,973	13,254	14,038
Interest rate related contracts			
- swaps	26,004,788	151,792	306,647
Equity related contracts			
- swaps	1,090,723	168,144	168,044
- options	208,905	248	248
Commodity related contracts			
- swaps	844,468	76,701	76,610
- futures	35,430	347	580
- options	225,560	746	-
	<b>1,030,632</b>	<b>1,030,632</b>	<b>1,033,434</b>

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.

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**EXPLANATORY NOTES****17. OTHER ASSETS**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Other receivables, deposits and prepayments	<b>155,568</b>	521,391	<b>159,720</b>	525,759
Accrued interest receivable	<b>98,890</b>	104,660	<b>98,890</b>	104,660
Amount due from subsidiaries	-	-	<b>128</b>	-
Precious metal accounts	<b>255,850</b>	301,144	<b>255,850</b>	301,144
	<b>510,308</b>	927,195	<b>514,588</b>	931,563

**18. DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>19,749,508</b>	19,486,339	<b>19,750,542</b>	19,490,243
Savings deposits	<b>1,428,730</b>	1,320,941	<b>1,428,730</b>	1,320,941
Fixed deposits	<b>50,294,803</b>	46,918,827	<b>50,295,981</b>	46,919,980
Negotiable instruments of deposits	<b>340</b>	331	<b>340</b>	331
Others	<b>8,473,744</b>	8,346,668	<b>8,473,744</b>	8,346,668
	<b>79,947,125</b>	76,073,106	<b>79,949,337</b>	76,078,163

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

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due within six months	<b>34,202,048</b>	33,536,308	<b>34,203,226</b>	33,537,461
Six months to one year	<b>15,806,331</b>	13,146,945	<b>15,806,331</b>	13,146,945
One year to three years	<b>265,538</b>	108,715	<b>265,538</b>	108,715
Three years to five years	<b>21,226</b>	127,190	<b>21,226</b>	127,190
	<b>50,295,143</b>	46,919,158	<b>50,296,321</b>	46,920,311

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**EXPLANATORY NOTES**

**18. DEPOSITS FROM CUSTOMERS (cont'd.)**

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

	Group		Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000	30-Sep-16 RM'000	31-Dec-15 RM'000
Business enterprises				
- Subsidiaries	-	-	2,212	5,057
- Others	31,786,827	30,222,791	31,786,827	30,222,791
Individuals	41,737,117	39,893,837	41,737,117	39,893,837
Others	6,423,181	5,956,478	6,423,181	5,956,478
	<b>79,947,125</b>	<b>76,073,106</b>	<b>79,949,337</b>	<b>76,078,163</b>

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

	Group		Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000	30-Sep-16 RM'000	31-Dec-15 RM'000
Licensed banks in Malaysia	2,276,794	727,430	2,276,794	727,430
Bank Negara Malaysia	1,550,393	1,520,239	1,550,393	1,520,239
Other financial institutions	1,188,112	4,589,868	1,188,142	4,589,898
	<b>5,015,299</b>	<b>6,837,537</b>	<b>5,015,329</b>	<b>6,837,567</b>

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**EXPLANATORY NOTES****20. OTHER LIABILITIES**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Provision for commitments and contingencies	<b>19,179</b>	24,516	<b>19,179</b>	24,516
Accrued interest payable	<b>777,506</b>	638,768	<b>777,506</b>	638,768
Accruals and provisions for operational expenses	<b>142,447</b>	182,932	<b>141,094</b>	180,916
Amount due to subsidiaries	-	-	-	26
Other payables and accruals	<b>637,602</b>	626,435	<b>637,355</b>	626,167
Deferred income	<b>226,063</b>	238,895	<b>226,063</b>	238,895
	<b>1,802,797</b>	1,711,546	<b>1,801,197</b>	1,709,288

**21. SUBORDINATED BONDS**

	<b>Group and Bank</b>	
	<b>30-Sep-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
RM500 million Subordinated Bonds 2013/2023, at par (Note (a))	<b>500,000</b>	500,000
RM1.0 billion Subordinated Bonds 2015/2025, at par (Note (b))	<b>1,009,645</b>	999,727
	<b>1,509,645</b>	1,499,727
Of which, fair value hedge gain/(loss)	<b>9,645</b>	(273)

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

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

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**21. SUBORDINATED BONDS (cont'd.)**

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

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

- (b) On 8 May 2015, the Bank issued RM1.0 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) ("the Bonds 2").

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

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

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

The Bonds 2 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.

As at 30 September 2016, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (2015: RM500 million) whereby the Bank receives a fixed interest rate of 4.65% per annum and pays variable interests rate of KLIBOR 6M plus 0.725% on the notional amount. The swap is being used to hedge exposure to changes in fair value of fixed rate of the Bonds 2.

The increase/(decrease) in fair value of the interest rate swap of RM9,644,960 (2015: (RM272,583)) has been recognised in trading and investment income and offset with a similar gain/(loss) on the trading transactions. There is no ineffectiveness recognised for this hedge.

**22. OPERATING REVENUE**

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

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**23. INTEREST INCOME**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Interest income from loans and advances	<b>962,277</b>	907,628	<b>2,846,311</b>	2,650,057
Interest income from impaired loans and advances	<b>18,800</b>	19,581	<b>67,729</b>	63,969
Money at call and deposit placements with financial institutions	<b>104,733</b>	115,390	<b>283,979</b>	285,196
Financial assets at FVTPL	<b>11,188</b>	6,457	<b>42,022</b>	27,586
AFS securities	<b>52,836</b>	48,963	<b>160,380</b>	193,560
Others	<b>234</b>	-	<b>2,762</b>	-
	<b>1,150,068</b>	1,098,019	<b>3,403,183</b>	3,220,368
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	<b>(171)</b>	(222)	<b>(484)</b>	(550)
- AFS securities	<b>(2,108)</b>	(2,172)	<b>(7,937)</b>	(9,890)
	<b>1,147,789</b>	1,095,625	<b>3,394,762</b>	3,209,928
<b>Bank</b>				
Interest income from loans and advances	<b>964,457</b>	909,799	<b>2,852,908</b>	2,656,658
Interest income from impaired loans and advances	<b>18,800</b>	19,581	<b>67,729</b>	63,969
Money at call and deposit placements with financial institutions	<b>104,733</b>	115,390	<b>283,979</b>	285,196
Financial assets at FVTPL	<b>11,188</b>	6,457	<b>42,022</b>	27,586
AFS securities	<b>52,836</b>	48,963	<b>160,380</b>	193,560
Others	<b>234</b>	-	<b>2,762</b>	-
	<b>1,152,248</b>	1,100,190	<b>3,409,780</b>	3,226,969
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	<b>(171)</b>	(222)	<b>(484)</b>	(550)
- AFS securities	<b>(2,108)</b>	(2,172)	<b>(7,937)</b>	(9,890)
	<b>1,149,969</b>	1,097,796	<b>3,401,359</b>	3,216,529

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**EXPLANATORY NOTES**

**24. INTEREST EXPENSE**

Group	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	<b>631,902</b>	584,261	<b>1,854,407</b>	1,704,161
Deposits and placements of banks and other financial institutions	<b>17,570</b>	14,664	<b>48,174</b>	48,127
Subordinated bonds	<b>17,198</b>	16,906	<b>51,523</b>	41,066
Others	<b>380</b>	1,382	<b>1,589</b>	5,418
	<b>667,050</b>	617,213	<b>1,955,693</b>	1,798,772
<b>Bank</b>				
Deposits from customers	<b>631,920</b>	584,280	<b>1,854,467</b>	1,704,235
Deposits and placements of banks and other financial institutions	<b>17,570</b>	14,664	<b>48,174</b>	48,127
Subordinated bonds	<b>17,198</b>	16,906	<b>51,523</b>	41,066
Others	<b>380</b>	1,382	<b>1,589</b>	5,418
	<b>667,068</b>	617,232	<b>1,955,753</b>	1,798,846

**25. OTHER OPERATING INCOME**

Group	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	RM'000	RM'000	RM'000	RM'000
<b><u>Fee income</u></b>				
Commission	<b>61,605</b>	62,936	<b>168,678</b>	173,683
Guarantee fees	<b>25,932</b>	15,653	<b>69,297</b>	54,193
Service charges and fees	<b>61,959</b>	47,893	<b>163,861</b>	148,289
Commitment fees	<b>7,215</b>	7,154	<b>22,202</b>	22,537
Arrangement and participation fees	<b>3,810</b>	4,535	<b>10,514</b>	4,605
	<b>160,521</b>	138,171	<b>434,552</b>	403,307



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**EXPLANATORY NOTES**

**25. OTHER OPERATING INCOME (cont'd.)**

Group (cont'd.)	Third Quarter Ended		Nine Months Ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
<b><u>Trading and Investment income</u></b>				
Gain/(loss) from sale of financial assets at FVTPL	9,749	(5,052)	18,070	(671)
Unrealised gain/(loss) on financial assets at FVTPL	545	(372)	305	403
(Loss)/gain from trading derivatives	1,547	(3,809)	(6,750)	566
Unrealised gain/(loss) from trading derivatives	66	6,468	9,363	(8,294)
Gain from sale of precious metal	1,196	2,392	948	1,656
Unrealised (loss)/gain from sale of precious metal	26	(195)	(10)	525
Gain from sale/recovery of AFS securities	9,907	31,493	29,013	38,020
Gross dividends from:				
- AFS securities unquoted in Malaysia	264	285	776	841
	<b>23,300</b>	<b>31,210</b>	<b>51,715</b>	<b>33,046</b>
<b><u>Other income</u></b>				
Foreign exchange gain	40,667	39,299	137,849	119,763
Rental income from operating leases	108	108	324	362
(Loss)/gain on disposal of property, plant and equipment	-	(24)	(4)	68
Others	4,204	3,254	10,705	9,364
	<b>44,979</b>	<b>42,637</b>	<b>148,874</b>	<b>129,557</b>
	<b>228,800</b>	<b>212,018</b>	<b>635,141</b>	<b>565,910</b>

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**EXPLANATORY NOTES**

**25. OTHER OPERATING INCOME (cont'd.)**

<b>Bank</b>	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>30-Sep-16</b>	<b>30-Sep-15</b>	<b>30-Sep-16</b>	<b>30-Sep-15</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Fee income</u></b>				
Commission	<b>61,605</b>	62,936	<b>168,678</b>	173,683
Guarantee fees	<b>25,932</b>	15,653	<b>69,297</b>	54,193
Service charges and fees	<b>62,022</b>	47,959	<b>164,053</b>	148,484
Commitment fees	<b>7,217</b>	7,157	<b>22,208</b>	22,545
Arrangement and participation fees	<b>3,810</b>	4,535	<b>10,514</b>	4,605
	<b>160,586</b>	138,240	<b>434,750</b>	403,510
<b><u>Trading and Investment income</u></b>				
Gain/(loss) from sale of financial assets at FVTPL	<b>9,746</b>	(5,052)	<b>18,067</b>	(671)
Unrealised gain/(loss) on financial assets at FVTPL	<b>545</b>	(372)	<b>305</b>	403
(Loss)/gain from trading derivatives	<b>1,550</b>	(3,809)	<b>(6,747)</b>	566
Unrealised gain/(loss) from trading derivatives	<b>66</b>	6,468	<b>9,363</b>	(8,294)
Gain from sale of precious metal	<b>1,196</b>	2,392	<b>948</b>	1,656
Unrealised (loss)/gain from sale of precious metal	<b>26</b>	(195)	<b>(10)</b>	525
Gain from sale/recovery of AFS securities	<b>9,907</b>	31,493	<b>29,013</b>	38,020
Gross dividends from:				
- AFS securities unquoted in Malaysia	<b>264</b>	285	<b>776</b>	841
	<b>23,300</b>	31,210	<b>51,715</b>	33,046

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**25. OTHER OPERATING INCOME (cont'd.)**

	Third Quarter		Nine Months	
	Ended		Ended	
<b>Bank (cont'd.)</b>	<b>30-Sep-16</b>	<b>30-Sep-15</b>	<b>30-Sep-16</b>	<b>30-Sep-15</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Other income</u></b>				
Foreign exchange gain	<b>40,667</b>	39,299	<b>137,849</b>	119,763
Rental income from operating leases	-	-	-	42
(Loss)/gain on disposal of property, plant and equipment	-	(24)	<b>(4)</b>	68
Gain on liquidation of subsidiary	-	-	<b>144</b>	-
Others	<b>4,205</b>	3,254	<b>10,717</b>	9,364
	<b>44,872</b>	42,529	<b>148,706</b>	129,237
	<b>228,758</b>	211,979	<b>635,171</b>	565,793

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**EXPLANATORY NOTES****26. OTHER OPERATING EXPENSES**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Personnel expenses	<b>169,316</b>	171,658	<b>499,110</b>	515,173
Establishment related expenses	<b>57,584</b>	50,289	<b>166,197</b>	148,837
Promotion and marketing related expenses	<b>7,523</b>	11,251	<b>27,766</b>	32,451
General administrative expenses	<b>31,108</b>	27,974	<b>95,123</b>	76,529
	<b>265,531</b>	261,172	<b>788,196</b>	772,990
<u>Personnel expenses</u>				
Wages, salaries and bonus	<b>137,317</b>	134,201	<b>397,831</b>	407,491
Defined contribution plan	<b>21,769</b>	21,105	<b>62,798</b>	62,574
Other employee benefits	<b>10,230</b>	16,352	<b>38,481</b>	45,108
	<b>169,316</b>	171,658	<b>499,110</b>	515,173
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	<b>12,900</b>	11,725	<b>40,249</b>	34,589
Information technology costs	<b>18,014</b>	14,153	<b>44,383</b>	41,007
Repair and maintenance	<b>4,614</b>	4,863	<b>14,988</b>	12,617
Rental of premises	<b>3,655</b>	3,309	<b>11,262</b>	9,892
Others	<b>18,401</b>	16,239	<b>55,315</b>	50,732
	<b>57,584</b>	50,289	<b>166,197</b>	148,837
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	<b>7,523</b>	11,251	<b>27,766</b>	32,451
<u>General administrative expenses</u>				
Fees and commissions paid	<b>12,726</b>	9,351	<b>33,805</b>	28,141
Others	<b>18,382</b>	18,623	<b>61,318</b>	48,388
	<b>31,108</b>	27,974	<b>95,123</b>	76,529

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**EXPLANATORY NOTES****26. OTHER OPERATING EXPENSES (cont'd.)**

<b>Bank</b>	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>Ended</b>		<b>Ended</b>	
	<b>30-Sep-16</b>	30-Sep-15	<b>30-Sep-16</b>	30-Sep-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>168,429</b>	170,577	<b>496,307</b>	512,272
Establishment related expenses	<b>60,818</b>	53,527	<b>175,028</b>	159,337
Promotion and marketing related expenses	<b>7,515</b>	11,236	<b>27,740</b>	32,411
General administrative expenses	<b>31,068</b>	27,959	<b>95,033</b>	76,453
	<b>267,830</b>	263,299	<b>794,108</b>	780,473
<u>Personnel expenses</u>				
Wages, salaries and bonus	<b>136,579</b>	133,381	<b>395,502</b>	405,105
Defined contribution plan	<b>21,665</b>	20,986	<b>62,460</b>	62,224
Other employee benefits	<b>10,185</b>	16,210	<b>38,345</b>	44,943
	<b>168,429</b>	170,577	<b>496,307</b>	512,272
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	<b>10,895</b>	10,142	<b>33,163</b>	29,930
Information technology costs	<b>18,014</b>	14,153	<b>44,383</b>	41,007
Repair and maintenance	<b>4,333</b>	4,609	<b>14,287</b>	12,126
Rental of premises	<b>8,408</b>	7,707	<b>25,478</b>	23,086
Others	<b>19,168</b>	16,916	<b>57,717</b>	53,188
	<b>60,818</b>	53,527	<b>175,028</b>	159,337
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	<b>7,515</b>	11,236	<b>27,740</b>	32,411
<u>General administrative expenses</u>				
Fees and commissions paid	<b>12,710</b>	9,349	<b>33,752</b>	28,100
Others	<b>18,358</b>	18,610	<b>61,281</b>	48,353
	<b>31,068</b>	27,959	<b>95,033</b>	76,453

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

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
<b>Allowance for impaired loans and advances</b>				
(a) Individual impairment				
- made in the period	<b>44,309</b>	55,674	<b>155,872</b>	212,353
- written back in the period	<b>(26,165)</b>	(31,441)	<b>(64,591)</b>	(110,515)
(b) Collective impairment				
- made in the period	<b>51,646</b>	78,192	<b>125,066</b>	70,070
<b>Impaired loans and advances</b>				
- written off	<b>1,433</b>	1,779	<b>2,959</b>	2,572
- recovered	<b>(9,331)</b>	(10,023)	<b>(30,250)</b>	(31,307)
	<b>61,892</b>	94,181	<b>189,056</b>	143,173
<b>Bank</b>				
<b>Allowance for impaired loans and advances</b>				
(a) Individual impairment				
- made in the period	<b>44,309</b>	55,674	<b>155,872</b>	212,353
- written back in the period	<b>(26,165)</b>	(31,441)	<b>(64,591)</b>	(110,515)
(b) Collective impairment				
- made in the period	<b>53,231</b>	78,192	<b>126,651</b>	70,070
<b>Impaired loans and advances</b>				
- written off	<b>1,433</b>	1,779	<b>2,959</b>	2,572
- recovered	<b>(9,331)</b>	(10,023)	<b>(30,250)</b>	(31,307)
	<b>63,477</b>	94,181	<b>190,641</b>	143,173

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**EXPLANATORY NOTES**

**28. SEGMENT INFORMATION**

**Operating Segments**

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and 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 Personal Financial Services, Business and Private Banking. Personal Financial Services serves the individual customers, offer a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Banking caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning. Business Banking serves small enterprises, offer a range of products and services, including deposits, loans, trade, foreign exchange and insurance products.

***Wholesale Banking (WB)***

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

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

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

***Global Markets (GM)***

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

***Others***

Others segment includes corporate support functions and decisions not attributable to business segments mentioned above and property-related activities.



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

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

Group	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
<b>For period ended 30 September 2016</b>							
Operating income	971,291	800,950	150,495	173,724	2,096,460	(20,429)	2,076,031
Other operating expenses	(522,062)	(158,644)	(36,799)	(88,668)	(806,173)	17,977	(788,196)
Allowance for impairment on loans and advances	(41,014)	(149,613)	-	(14)	(190,641)	1,585	(189,056)
Writeback of provision commitments and contingencies	-	5,337	-	-	5,337	-	5,337
Share of net profit of an associate	-	-	-	179	179	-	179
Profit before taxation	<u>408,215</u>	<u>498,030</u>	<u>113,696</u>	<u>85,221</u>	<u>1,105,162</u>	<u>(867)</u>	<u>1,104,295</u>
Income tax expense							<u>(263,225)</u>
							<u>841,070</u>

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

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

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
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**Other information**

**For period ended 30 September 2016**

Inter-segment operating income	50,105	220,336	(456,145)	206,133	20,429	(20,429)	-
Depreciation of property, plant and equipment	5,998	1,125	1,698	31,366	40,187	62	40,249

**As at 30 September 2016**

Gross loans and advances	47,992,770	27,292,220	-	395,682	75,680,672	(185,585)	75,495,087
Deposits from customers	51,077,066	28,349,939	347,467	174,865	79,949,337	(2,212)	79,947,125

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**EXPLANATORY NOTES**

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

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

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
<b>For period ended 30 September 2015</b>							
Operating income	920,022	706,707	97,888	271,712	1,996,329	(19,263)	1,977,066
Other operating expenses	(517,240)	(144,580)	(33,429)	(95,050)	(790,299)	17,309	(772,990)
Allowance for impairment on loans and advances	(37,070)	(106,144)	-	41	(143,173)	-	(143,173)
Writeback of /(provision) for commitments and contingencies	20	(23,045)	-	-	(23,025)	-	(23,025)
Share of net profit of an associate	-	-	-	1,235	1,235	-	1,235
Profit before taxation	<u>365,732</u>	<u>432,938</u>	<u>64,459</u>	<u>177,938</u>	<u>1,041,067</u>	<u>(1,954)</u>	<u>1,039,113</u>
Income tax expense							<u>(249,248)</u>
							<u>789,865</u>

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**EXPLANATORY NOTES**

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

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

<b>Group (cont'd.)</b>	<b>Retail RM'000</b>	<b>WB RM'000</b>	<b>GM RM'000</b>	<b>Others RM'000</b>	<b>Total segments RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>Other information</b>							
<b>For period ended 30 September 2015</b>							
Inter-segment operating income	(12,953)	222,204	(456,864)	266,876	19,263	(19,263)	-
Depreciation of property, plant and equipment	5,226	829	1,495	27,089	34,639	(50)	34,589
<b>As at 31 December 2015</b>							
Gross loans and advances	46,135,673	25,740,028	-	385,926	72,261,627	(185,623)	72,076,004
Deposits from customers	47,954,204	27,301,943	710,872	111,144	76,078,163	(5,057)	76,073,106

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**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) and Basel II – Risk-weighted Assets framework.

	Group		Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000	30-Sep-16 RM'000	31-Dec-15 RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	<b>470,000</b>	470,000	<b>470,000</b>	470,000
Share premium	<b>322,555</b>	322,555	<b>322,555</b>	322,555
Retained profits	<b>5,931,894</b>	6,305,544	<b>5,994,788</b>	6,368,438
Statutory reserve	<b>470,000</b>	470,000	<b>470,000</b>	470,000
Other reserves	<b>286,573</b>	223,531	<b>119,429</b>	56,387
Regulatory adjustments applied in the calculation of CET1 Capital	<b>(264,194)</b>	(238,046)	<b>(117,373)</b>	(90,887)
Total CET1/Tier 1 Capital	<b>7,216,828</b>	7,553,584	<b>7,259,399</b>	7,596,493
<u>Tier 2 Capital</u>				
Tier 2 capital instruments	<b>1,500,000</b>	1,500,000	<b>1,500,000</b>	1,500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	<b>279,875</b>	169,563	<b>287,920</b>	175,551
- Collective impairment provisions	<b>24,774</b>	25,697	<b>21,082</b>	22,073
Regulatory adjustments applied in the calculation of Tier 2 Capital	<b>67,441</b>	65,250	<b>(5,425)</b>	(8,143)
Total Tier 2 Capital	<b>1,872,090</b>	1,760,510	<b>1,803,577</b>	1,689,481
Total Capital	<b>9,088,918</b>	9,314,094	<b>9,062,976</b>	9,285,974

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**EXPLANATORY NOTES**

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

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

	Group		Bank	
	30-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
CET1/Tier 1 Capital	<b>12.917%</b>	14.155%	<b>13.060%</b>	14.314%
Total Capital	<b>16.267%</b>	17.455%	<b>16.305%</b>	17.497%

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

	Group		Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000	30-Sep-16 RM'000	31-Dec-15 RM'000
Total RWA for credit risk	<b>50,148,412</b>	47,520,377	<b>49,853,035</b>	47,230,453
Total RWA for market risk	<b>823,066</b>	1,167,514	<b>823,066</b>	1,167,514
Total RWA for operational risk	<b>4,900,836</b>	4,673,789	<b>4,907,107</b>	4,673,789
	<b>55,872,314</b>	53,361,680	<b>55,583,208</b>	53,071,756

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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 incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	<b>Group and Bank</b>		
	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>As at 30 September 2016</b>			
Direct credit substitutes	3,149,272	3,149,272	2,297,313
Transaction-related contingent items	5,411,105	2,738,389	1,917,595
Short-term self-liquidating trade-related contingencies	472,888	108,493	74,647
Foreign exchange related contracts			
- less than one year	16,963,936	344,669	160,830
- more than one year to less than five years	343,971	35,995	35,540
Interest rate related contracts			
- less than one year	5,689,904	56,986	23,256
- more than one year to less than five years	15,831,981	719,536	419,737
- five years and above	1,370,518	80,707	60,542
Equity related contracts			
- less than one year	280,977	14,872	8,836
- more than one year to less than five years	400,304	16,214	7,465
Precious metal contracts			
- less than one year	5,944	54	-
Commodity related contracts			
- less than one year	149,111	16,589	6,977
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility			
- less than one year	13,188,627	844,278	204,132
- more than one year	11,942,925	7,083,670	4,656,982
- unconditionally cancellable	9,539,283	2,326,229	268,146
<b>Total</b>	<b>84,940,746</b>	<b>17,559,953</b>	<b>10,153,998</b>

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

	<b>Group and Bank</b>		
	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>As at 31 December 2015</b>			
Direct credit substitutes	2,709,647	2,709,647	1,926,742
Transaction-related contingent items	4,756,334	2,356,956	1,442,940
Short-term self-liquidating trade-related contingencies	478,850	106,401	81,925
Foreign exchange related contracts			
- less than one year	22,269,024	886,191	373,404
- more than one year to less than five years	436,570	78,877	78,754
Interest rate related contracts			
- less than one year	5,023,307	24,238	9,240
- more than one year to less than five years	15,821,072	574,884	333,368
- five years and above	1,858,392	141,644	153,830
Equity related contracts			
- less than one year	538,475	40,350	16,168
- more than one year to less than five years	215,792	14,089	8,558
Commodity related contracts			
- less than one year	870,028	164,449	59,353
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility			
- less than one year	11,788,087	856,304	283,191
- more than one year	11,541,428	7,021,964	4,400,914
- unconditionally cancellable	8,485,342	2,278,691	277,975
<b>Total</b>	<b>86,992,348</b>	<b>17,278,685</b>	<b>9,458,362</b>

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



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**EXPLANATORY NOTES**

**31. PERFORMANCE REVIEW**

For the nine months ended 30 September 2016, the Group registered a profit before taxation of RM1.1 billion, an increase of RM65.2 million or 6.3% over corresponding period last year. The increase in profit is mainly from higher operating income coupled with write back of commitments and contingencies, partially offset by higher other operating expenses and allowance for impairment on loans and advances.

Net interest income increased by 2.0% or RM27.9 million to RM1,439.1 million due to higher interest income from customer loans, partially offset by higher interest expenses from customer deposits and subordinated bonds, as well as lower interest income from available-for-sale securities.

Other operating income grew by 12.2% or RM69.2 million to RM635.1 million largely contributed by higher fee income, trading and investment income and foreign exchange gain.

Total operating expenses increased by 2.0% or RM15.2 million to RM788.2 million mainly due to increase in establishment related expenses and general administrative expenses, partially offset by lower staff expenses. Expense-to-income ratio improved from 39.1% to 38.0% due to higher income growth.

Allowance for impairment on loans and advances increased by RM45.9 million to RM189.1 million mainly contributed by higher collective impairment of RM55.0 million, partially offset by lower individual impairment of RM9.1 million. Asset quality remained sound with net non-performing loans ratio stable at 1.4%.

In July 2016, the Group has commenced Islamic Banking business under its Islamic Banking window to expand its product offering and ability to better service its customers.

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**EXPLANATORY NOTES**

**32. PROSPECTS FOR 2016**

As we enter the final quarter of 2016, global growth remains anemic while global trade and investments are at risk of lagging further behind. Most central banks have embarked on monetary easing even as the US Federal Reserve is expected to raise rates before the year is out. Still global interest rates are expected to stay “lower for longer”. Geo-political risks will be the top risk factor in the later part of 2016 and 2017, especially in light of the unexpected Brexit vote in June.

The Malaysian economy has sustained five straight quarters of moderation with the release of second quarter Gross Domestic Product (GDP) growth of 4.0% year-on-year that marked the slowest pace since 2009. Nevertheless Malaysia’s fundamental strengths remain strong. Considering the tepid global landscape since the global financial crisis, the Malaysian economy has had a good run with its GDP growth which was slightly ahead of ASEAN-5’s by 0.2% over the last five years. However a key anchor of growth, private domestic spending, has been challenged by slew of fiscal reform measures. To manage the slowdown, measures such as 3% cut in the EPF contribution rate, tax relief measures, higher minimum wages, and civil servant salary hikes were introduced. Bank Negara Malaysia (BNM) has also eased monetary policy with a 25bps Overnight Policy Rate (OPR) cut in July 2016 to support growth. It is expected a modest pick-up in growth in 2H 2016 (vs. 4.1% in 1H 2016) to bring full-year growth to 4.2%. Areas of support include sustained expansions in manufacturing, construction, mining and services while agriculture is expected to record a narrower decline as crude palm oil production recovers. The pressure on growth may ease up as the drawdown in stocks abate and import demand moderates. For 2017, projection of continuous growth is aided by fiscal stimulus measures, infrastructure projects, and accommodative monetary policy.

Despite the challenging environment, the Group will continue to invest in furthering capabilities and productivity to strengthen franchise value and sustain long-term growth, while ensure disciplined balance sheet management.

The Group is expected to achieve a satisfactory set of results in 2016.

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**33. ISLAMIC BANKING OPERATIONS**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF FINANCIAL POSITION  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Notes	30-Sep-16 RM'000
<b>ASSETS</b>		
Cash and short-term funds	a	419,309
Available-for-sale ("AFS") securities	b	101,010
Other assets	c	895
Property, plant and equipment		35
<b>Total assets</b>		<b>521,249</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits from customers	d	71,019
Other liabilities	e	247
<b>Total liabilities</b>		<b>71,266</b>
Capital fund	f	450,000
Reserves	f	(17)
<b>Islamic banking funds</b>		<b>449,983</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>521,249</b>
<b>Commitments and contingencies</b>		<b>-</b>

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**33. ISLAMIC BANKING OPERATIONS**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED INCOME STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Notes	30-Sep-16 RM'000
Income derived from depositors' funds	g	158
Income derived from investment of Islamic banking funds	h	<u>1,852</u>
<b>Total attributable income</b>		<b>2,010</b>
Income attributable to depositors	i	<u>(189)</u>
<b>Total net income</b>		<b>1,821</b>
Other operating expenses	j	<u>(1,878)</u>
Loss for the period before taxation		<u>(57)</u>
Income tax expense		<u>-</u>
<b>Loss for the period after taxation</b>		<b><u>(57)</u></b>
<b>Other comprehensive income:</b>		
Net gain on revaluation of AFS securities		<u>40</u>
Other comprehensive income for the period, net of tax		<u>40</u>
Total comprehensive loss for the period		<b><u>(17)</u></b>

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**33. ISLAMIC BANKING OPERATIONS**

**UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Capital fund	Net unrealised reserves on AFS securities	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000
<b>2016</b>				
Balance as at 14 July 2016	200,000	-	-	200,000
Loss for the period	-	-	(57)	(57)
Other comprehensive income	-	40	-	40
Total comprehensive loss	-	40	(57)	(17)
Capital reallocation from conventional banking	250,000	-	-	250,000
Balance as at 30 September 2016	450,000	40	(57)	449,983

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**33. ISLAMIC BANKING OPERATIONS**

**UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	<b>30-Sep-16 RM'000</b>
Loss before taxation	(57)
Adjustments for non-operating and non-cash items	<b>(582)</b>
Operating loss before working capital changes	<b>(639)</b>
Changes in working capital:	
Net changes in operating assets	(930)
Net changes in operating liabilities	71,266
Net cash generated from operating activities	<b>69,697</b>
Net cash (used in) from investing activities	<b>(100,388)</b>
Net cash generated from financing activities	<b>450,000</b>
Net increase in cash and cash equivalents	<b>419,309</b>
Cash and cash equivalents at end of the period	<b>419,309</b>
<b>Analysis of cash and cash equivalents</b>	
Cash and short term funds	<b>419,309</b>

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**33. ISLAMIC BANKING OPERATIONS**

**EXPLANATORY NOTES**

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

	<b>30-Sep-16 RM'000</b>
Cash and balances with banks and other financial institutions	4,309
Money at call and deposit placements maturing within one month	<u>415,000</u>
	<u><b>419,309</b></u>

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

	<b>30-Sep-16 RM'000</b>
<b>At fair value</b>	
<b>Money market instruments:</b>	
Government investment bonds	<u>101,010</u>
<b>Total AFS securities</b>	<u><b>101,010</b></u>

**c. OTHER ASSETS**

	<b>30-Sep-16 RM'000</b>
Profit receivable	<u>895</u>

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**33. ISLAMIC BANKING OPERATIONS**

**EXPLANATORY NOTES**

**d. DEPOSITS FROM CUSTOMERS**

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

	<b>30-Sep-16</b> <b>RM'000</b>
<b><u>Non-Mudharabah Fund</u></b>	
Demand deposits	
- Qard	1,722
Savings deposits	
- Qard	988
Term deposits	
- Tawarruq	58,309
Other deposits	
- Tawarruq	10,000
	<hr/> <b>71,019</b> <hr/>

**(ii) By maturity structure of term deposits is as follows:**

	<b>30-Sep-16</b> <b>RM'000</b>
Due within six months	24,512
Six months to one year	33,797
	<hr/> <b>58,309</b> <hr/>

**(iii) By type of customer:**

	<b>30-Sep-16</b> <b>RM'000</b>
Business enterprises	25,487
Individuals	34,512
Others	11,020
	<hr/> <b>71,019</b> <hr/>



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**33. ISLAMIC BANKING OPERATIONS**

**EXPLANATORY NOTES**

**e. OTHER LIABILITIES**

	<b>30-Sep-16 RM'000</b>
Accrued profit payable	185
Accruals and provisions for operational expenses	62
	<u>247</u>

**f. ISLAMIC BANKING FUNDS**

	<b>30-Sep-16 RM'000</b>
Capital fund	450,000
Net unrealised reserves on AFS securities	40
Accumulated losses	(57)
	<u>449,983</u>

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**33. ISLAMIC BANKING OPERATIONS**

**EXPLANATORY NOTES**

**g. INCOME DERIVED FROM DEPOSITORS' FUNDS**

**30-Sep-16**  
**RM'000**

Finance income and hibah

Money at call and deposit placements  
with financial institutions

**158**

**h. INCOME DERIVED FROM INVESTMENT OF  
ISLAMIC BANKING FUNDS**

**30-Sep-16**  
**RM'000**

Finance income and hibah

Money at call and deposit placements  
with financial institutions

**1,268**

AFS securities

**582**

**1,850**

Other operating income

Fee income

**2**

**1,852**

**i. INCOME ATTRIBUTABLE TO DEPOSITORS**

**30-Sep-16**  
**RM'000**

Deposits from customers:

- Non-Mudharabah Fund

**189**

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**33. ISLAMIC BANKING OPERATIONS**

**EXPLANATORY NOTES**

**j. OTHER OPERATING EXPENSES**

	<b>30-Sep-16 RM'000</b>
Personnel expenses	233
Establishment related expenses	16
Promotion and marketing related expenses	71
General administrative expenses	<u>1,558</u>
	<u><b>1,878</b></u>
<u>Personnel expenses</u>	
Wages, salaries and bonus	191
Defined contribution plan	32
Other employee benefits	10
	<u>233</u>
<u>Establishment related expenses</u>	
Repair and maintenance	9
Rental of premises	3
Others	4
	<u>16</u>
<u>Promotion and marketing related expenses</u>	
Advertisement and publicity	<u>71</u>
<u>General administrative expenses</u>	
Fees and commissions paid	73
Management fee	1,310
Others	175
	<u>1,558</u>

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**33. ISLAMIC BANKING OPERATIONS**

**EXPLANATORY NOTES**

**k. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY**

The components of Tier 1 and Tier 2 capital are as follows:

	<b>30-Sep-16</b> <b>RM'000</b>
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>	
Capital fund	450,000
Accumulated losses	(57)
Other reserves	40
Regulatory adjustments applied in the calculation of CET1 Capital	(45)
Total CET1/Tier 1 Capital	<u>449,938</u>
<u>Tier 2 Capital</u>	
Regulatory adjustments applied in the calculation of Tier 2 Capital	-
Total Tier 2 Capital	<u>-</u>
Total Capital	<u>449,938</u>

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

	<b>30-Sep-16</b>
CET1/Tier 1 Capital	1166209.524%
Total Capital	<u>1166209.524%</u>

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

	<b>30-Sep-16</b> <b>RM'000</b>
Total RWA for credit risk	39
Total RWA for market risk	-
Total RWA for operational risk	-
	<u>39</u>