

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 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 31 MARCH 2016**

	Notes	Group		Bank	
		31-Mar-16 RM'000	31-Dec-15 RM'000	31-Mar-16 RM'000	31-Dec-15 RM'000
<b>ASSETS</b>					
Cash and short-term funds	11	<b>9,613,355</b>	7,735,351	<b>9,613,355</b>	7,735,351
Securities purchased under resale agreements		<b>917,990</b>	4,984,364	<b>917,990</b>	4,984,364
Deposits and placements with financial institutions	12	<b>14,463</b>	13,082	<b>14,463</b>	13,082
Financial assets at fair value through profit or loss ("FVTPL")	13	<b>1,558,044</b>	1,834,666	<b>1,558,044</b>	1,834,666
Available-for-sale ("AFS") securities	14	<b>5,735,037</b>	5,228,465	<b>5,735,037</b>	5,228,465
Loans and advances	15	<b>70,824,546</b>	70,872,652	<b>71,010,175</b>	71,058,275
Derivative financial assets	16	<b>901,110</b>	1,030,632	<b>901,110</b>	1,030,632
Other assets	17	<b>795,200</b>	927,195	<b>799,578</b>	931,563
Statutory deposits with Bank Negara Malaysia		<b>2,023,670</b>	2,212,280	<b>2,023,670</b>	2,212,280
Investment in subsidiaries		-	-	<b>40</b>	50
Investment in an associate		<b>11,381</b>	11,313	<b>13,522</b>	13,522
Property, plant and equipment		<b>515,400</b>	503,202	<b>221,390</b>	208,910
Tax recoverable		-	168	-	-
Deferred tax assets		<b>23,362</b>	25,086	<b>39,179</b>	40,903
<b>Total assets</b>		<b>92,933,558</b>	95,378,456	<b>92,847,553</b>	95,292,063
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	<b>77,301,847</b>	76,073,106	<b>77,305,143</b>	76,078,163
Deposits and placements of banks and other financial institutions	19	<b>2,866,170</b>	6,837,537	<b>2,866,200</b>	6,837,567
Bills and acceptances payables		<b>378,414</b>	305,544	<b>378,414</b>	305,544
Derivative financial liabilities	16	<b>1,040,322</b>	1,033,434	<b>1,040,322</b>	1,033,434
Other liabilities	20	<b>1,599,831</b>	1,711,546	<b>1,598,326</b>	1,709,288
Tax payable		<b>171,198</b>	140,984	<b>171,472</b>	140,960
Subordinated bonds	21	<b>1,506,195</b>	1,499,727	<b>1,506,195</b>	1,499,727
<b>Total liabilities</b>		<b>84,863,977</b>	87,601,878	<b>84,866,072</b>	87,604,683

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**AS AT 31 MARCH 2016**

		<b>Group</b>		<b>Bank</b>	
	<b>Notes</b>	<b>31-Mar-16</b>	31-Dec-15	<b>31-Mar-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>7,599,581</b>	7,306,578	<b>7,511,481</b>	7,217,380
<b>Total equity</b>		<b>8,069,581</b>	7,776,578	<b>7,981,481</b>	7,687,380
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>92,933,558</b>	95,378,456	<b>92,847,553</b>	95,292,063
<b>Commitments and contingencies</b>	30	<b>85,152,157</b>	86,992,348	<b>85,152,157</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 31 MARCH 2016**

Group	Notes	First Quarter Ended		Three Months Ended	
		31-Mar-16 RM'000	31-Mar-15 RM'000	31-Mar-16 RM'000	31-Mar-15 RM'000
Operating revenue	22	<b>1,324,769</b>	1,224,312	<b>1,324,769</b>	1,224,312
Interest income	23	<b>1,127,068</b>	1,049,416	<b>1,127,068</b>	1,049,416
Interest expense	24	<b>(636,400)</b>	(569,130)	<b>(636,400)</b>	(569,130)
Net interest income		<b>490,668</b>	480,286	<b>490,668</b>	480,286
Other operating income	25	<b>202,698</b>	178,252	<b>202,698</b>	178,252
Operating income		<b>693,366</b>	658,538	<b>693,366</b>	658,538
Other operating expenses	26	<b>(248,132)</b>	(240,843)	<b>(248,132)</b>	(240,843)
Operating profit before allowance for impairment on loans and advances, and provision for commitments and contingencies		<b>445,234</b>	417,695	<b>445,234</b>	417,695
Allowance for impairment on loans and advances	27	<b>(68,810)</b>	(46,543)	<b>(68,810)</b>	(46,543)
Provision for commitments and contingencies		<b>(39)</b>	(15,016)	<b>(39)</b>	(15,016)
		<b>376,385</b>	356,136	<b>376,385</b>	356,136
Share of net profit of an associate		<b>68</b>	581	<b>68</b>	581
Profit before taxation		<b>376,453</b>	356,717	<b>376,453</b>	356,717
Income tax expense		<b>(88,908)</b>	(83,011)	<b>(88,908)</b>	(83,011)
Profit for the period attributable to equity holders of the Bank		<b>287,545</b>	273,706	<b>287,545</b>	273,706
Basic Earnings per share (sen)		<b>61.2</b>	58.2	<b>61.2</b>	58.2

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 31 MARCH 2016**

Bank	Notes	First Quarter Ended		Three Months Ended	
		31-Mar-16 RM'000	31-Mar-15 RM'000	31-Mar-16 RM'000	31-Mar-15 RM'000
Operating revenue	22	<b>1,327,117</b>	1,226,488	<b>1,327,117</b>	1,226,488
Interest income	23	<b>1,129,302</b>	1,051,658	<b>1,129,302</b>	1,051,658
Interest expense	24	<b>(636,422)</b>	(569,163)	<b>(636,422)</b>	(569,163)
Net interest income		<b>492,880</b>	482,495	<b>492,880</b>	482,495
Other operating income	25	<b>202,811</b>	178,187	<b>202,811</b>	178,187
Operating income		<b>695,691</b>	660,682	<b>695,691</b>	660,682
Other operating expenses	26	<b>(249,310)</b>	(243,149)	<b>(249,310)</b>	(243,149)
Operating profit before allowance for impairment on loans and advances, and provision for commitments and contingencies		<b>446,381</b>	417,533	<b>446,381</b>	417,533
Allowance for impairment on loans and advances	27	<b>(68,810)</b>	(46,543)	<b>(68,810)</b>	(46,543)
Provision for commitments and contingencies		<b>(39)</b>	(15,016)	<b>(39)</b>	(15,016)
Profit before taxation		<b>377,532</b>	355,974	<b>377,532</b>	355,974
Income tax expense		<b>(88,889)</b>	(82,984)	<b>(88,889)</b>	(82,984)
Profit for the period attributable to equity holders of the Bank		<b>288,643</b>	272,990	<b>288,643</b>	272,990
Basic Earnings per share (sen)		<b>61.4</b>	58.1	<b>61.4</b>	58.1

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 STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

<b>Group</b>	<b>First Quarter</b>		<b>Three Months</b>	
	<b>Ended</b>		<b>Ended</b>	
	<b>31-Mar-16</b>	31-Mar-15	<b>31-Mar-16</b>	31-Mar-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit for the period	<b>287,545</b>	273,706	<b>287,545</b>	273,706
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income/(loss)				
to be reclassified to profit or loss				
in subsequent periods:				
Net gain on revaluation of AFS securities	<b>7,182</b>	18,992	<b>7,182</b>	18,992
Income tax effect	<b>(1,724)</b>	(4,645)	<b>(1,724)</b>	(4,645)
Other comprehensive income				
for the period, net of tax	<b>5,458</b>	14,347	<b>5,458</b>	14,347
Total comprehensive income for the				
period attributable to equity				
holders of the Bank	<b>293,003</b>	288,053	<b>293,003</b>	288,053

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 (cont'd.)**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

	First Quarter		Three Months	
	Ended		Ended	
<b>Bank</b>	<b>31-Mar-16</b>	31-Mar-15	<b>31-Mar-16</b>	31-Mar-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit for the period	<b>288,643</b>	272,990	<b>288,643</b>	272,990
<i>Other comprehensive income/(loss):</i>				
Other comprehensive income/(loss)				
to be reclassified to profit or loss				
in subsequent periods:				
Net gain on revaluation of AFS securities	<b>7,182</b>	18,992	<b>7,182</b>	18,992
Income tax effect	<b>(1,724)</b>	(4,645)	<b>(1,724)</b>	(4,645)
Other comprehensive income				
for the period, net of tax	<b>5,458</b>	14,347	<b>5,458</b>	14,347
Total comprehensive income for the				
period attributable to equity				
holders of the Bank	<b>294,101</b>	287,337	<b>294,101</b>	287,337

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 31 MARCH 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	-	-	-	-	-	287,545	287,545
Other comprehensive income	-	-	-	-	5,458	-	5,458
Total comprehensive income	-	-	-	-	5,458	287,545	293,003
Balance as at 31 March 2016	470,000	322,555	470,000	145,190	68,747	6,593,089	8,069,581

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**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**FOR THE PERIOD ENDED 31 MARCH 2016**

GROUP (cont'd.)	← Non-distributable →				Net unrealised reserves on AFS securities	Distributable	
	Share capital	Share premium	Statutory reserve	Revaluation reserves		Retained profits	Total
	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	-	-	-	-	-	273,706	273,706
Other comprehensive income	-	-	-	-	14,347	-	14,347
Total comprehensive income	-	-	-	-	14,347	273,706	288,053
Balance as at 31 March 2015	470,000	322,555	470,000	104,297	79,479	5,965,655	7,411,986

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.

Company No. 271809K

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2016**

<b>BANK</b>	← Non-distributable			Net unrealised reserves on AFS securities	→ Distributable	
	Share capital	Share premium	Statutory reserve		Retained profits	Total
	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	-	-	-	-	288,643	288,643
Other comprehensive income	-	-	-	5,458	-	5,458
Total comprehensive income	-	-	-	5,458	288,643	294,101
Balance as at 31 March 2016	470,000	322,555	470,000	61,845	6,657,081	7,981,481

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 31 MARCH 2016**

<b>BANK (cont'd.)</b>	← Non-distributable			Net unrealised reserves on AFS securities	→ Distributable	
	Share capital	Share premium	Statutory reserve		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	-	-	-	-	272,990	272,990
Other comprehensive income	-	-	-	14,347	-	14,347
Total comprehensive income	-	-	-	14,347	272,990	287,337
Balance as at 31 March 2015	470,000	322,555	470,000	72,577	6,026,962	7,362,094

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 31 MARCH 2016**

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-16</b>	31-Mar-15	<b>31-Mar-16</b>	31-Mar-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before taxation	<b>376,453</b>	356,717	<b>377,532</b>	355,974
Adjustments for non-operating and non-cash items	<b>226,888</b>	(55,513)	<b>223,857</b>	(56,471)
Operating profit before working capital changes	<b>603,341</b>	301,204	<b>601,389</b>	299,503
Changes in working capital:				
Net changes in operating assets	<b>4,779,251</b>	359,238	<b>4,779,234</b>	358,503
Net changes in operating liabilities	<b>(2,983,359)</b>	(2,866,836)	<b>(2,984,368)</b>	(2,865,309)
Tax expense paid	<b>(58,528)</b>	(90,613)	<b>(58,377)</b>	(90,598)
Net cash generated from/(used in) operating activities	<b>2,340,705</b>	(2,297,007)	<b>2,337,878</b>	(2,297,901)
Net cash (used in)/generated from investing activities	<b>(467,788)</b>	1,310,947	<b>(464,961)</b>	1,311,841
Net cash generated from/(used in) financing activities	<b>6,468</b>	(499,884)	<b>6,468</b>	(499,884)
Net increase/(decrease) in cash and cash equivalents	<b>1,879,385</b>	(1,485,944)	<b>1,879,385</b>	(1,485,944)
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>9,627,818</b>	9,477,919	<b>9,627,818</b>	9,477,919
<b>Analysis of cash and cash equivalents</b>				
Cash and short term funds	<b>9,613,355</b>	9,354,527	<b>9,613,355</b>	9,354,527
Deposits and placements with financial institutions	<b>14,463</b>	123,392	<b>14,463</b>	123,392
	<b>9,627,818</b>	9,477,919	<b>9,627,818</b>	9,477,919

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 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 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 31 March 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 31 March 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 31 March 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**  
(Incorporated in Malaysia)

**EXPLANATORY NOTES**

**8. DIVIDENDS**

There was no dividend paid for the financial period ended 31 March 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 31 March 2016.

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

	<b>Group and Bank</b>	
	<b>31-Mar-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	<b>535,544</b>	639,951
Money at call and deposit placements maturing within one month	<b>9,077,811</b>	7,095,400
	<b>9,613,355</b>	7,735,351

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

	<b>Group and Bank</b>	
	<b>31-Mar-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial institutions	<b>14,463</b>	13,082
	<b>14,463</b>	13,082

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
<b>Held-for-trading securities</b>		
<b>At fair value:</b>		
Malaysian Government securities	<b>587,729</b>	313,261
Negotiable instruments of deposits	<b>670,081</b>	1,190,049
<b>Total held-for-trading securities</b>	<b>1,257,810</b>	1,503,310
<b>Designated as FVTPL, companies incorporated in Malaysia but denominated in United States Dollar</b>		
Private debt securities	<b>300,234</b>	331,356
<b>Total financial assets at FVTPL</b>	<b>1,558,044</b>	1,834,666



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**EXPLANATORY NOTES**

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

	<b>Group and Bank</b>	
	<b>31-Mar-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	<b>98,731</b>	158,046
Malaysian Government securities	<b>3,898,254</b>	3,368,246
Negotiable instruments of deposits	<b>200,020</b>	925,079
Cagamas bonds	<b>1,303,874</b>	529,118
	<b>5,500,879</b>	4,994,745
<b>Private debt securities of companies incorporated</b>		
In Malaysia:		
Quoted corporate bonds	<b>195,674</b>	194,872
Impairment loss	<b>(39,960)</b>	(39,960)
	<b>155,714</b>	154,912
<b>Quoted securities:</b>		
Shares of corporations in Malaysia	<b>3,373</b>	3,737
	<b>3,373</b>	3,737
<b>Unquoted securities:</b>		
Shares	<b>74,795</b>	74,795
	<b>74,795</b>	74,795
<b>At Cost:</b>		
<b>Unquoted securities:</b>		
Private debt securities	<b>276</b>	276
	<b>276</b>	276
<b>Total AFS securities</b>	<b>5,735,037</b>	5,228,465
<b>Movements in allowance for impairment on private debt security is as follows:</b>		
Balance as at 1 January/31 December	<b>(39,960)</b>	(39,960)

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

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Overdrafts	<b>3,040,393</b>	3,020,017	<b>3,040,393</b>	3,020,017
Term loans and revolving credits				
- Housing loans	<b>25,988,387</b>	25,588,836	<b>25,988,387</b>	25,588,836
- Syndicated term loans	<b>800,015</b>	726,714	<b>800,015</b>	726,714
- Other term loans	<b>32,632,893</b>	32,701,629	<b>32,818,522</b>	32,887,252
Credit cards receivable	<b>2,258,511</b>	2,304,693	<b>2,258,511</b>	2,304,693
Bills receivable	<b>880,739</b>	1,121,872	<b>880,739</b>	1,121,872
Trust receipts	<b>1,783,402</b>	1,939,287	<b>1,783,402</b>	1,939,287
Claims on customers under acceptance credits	<b>4,710,378</b>	4,695,198	<b>4,710,378</b>	4,695,198
Staff loans	<b>48,063</b>	48,637	<b>48,063</b>	48,637
Others	<b>15,610</b>	11,694	<b>15,610</b>	11,694
	<b>72,158,391</b>	72,158,577	<b>72,344,020</b>	72,344,200
Unearned interest	<b>(81,222)</b>	(82,573)	<b>(81,222)</b>	(82,573)
<b>Gross loans and advances</b>	<b>72,077,169</b>	72,076,004	<b>72,262,798</b>	72,261,627
<b>Allowance for losses on loans and advances</b>				
- Individual impairment	<b>(183,352)</b>	(183,854)	<b>(183,352)</b>	(183,854)
- Collective impairment	<b>(1,069,271)</b>	(1,019,498)	<b>(1,069,271)</b>	(1,019,498)
<b>Net loans and advances</b>	<b>70,824,546</b>	70,872,652	<b>71,010,175</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>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>18,226,864</b>	18,698,162	<b>18,226,864</b>	18,698,162
One year to three years	<b>4,196,544</b>	4,280,129	<b>4,382,173</b>	4,465,752
Three years to five years	<b>4,324,811</b>	4,258,005	<b>4,324,811</b>	4,258,005
Over five years	<b>45,328,950</b>	44,839,708	<b>45,328,950</b>	44,839,708
	<b>72,077,169</b>	72,076,004	<b>72,262,798</b>	72,261,627

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

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic banking institutions	<b>24,452</b>	21,180	<b>24,452</b>	21,180
Domestic non-bank financial institutions				
- Stockbroking companies	<b>10,024</b>	10,029	<b>10,024</b>	10,029
- Others	<b>146,476</b>	126,148	<b>146,476</b>	126,148
Domestic business enterprises				
- Small medium enterprises	<b>15,534,870</b>	15,262,243	<b>15,534,870</b>	15,262,243
- Others	<b>14,604,328</b>	15,151,497	<b>14,789,957</b>	15,337,120
Individuals	<b>35,232,074</b>	34,743,663	<b>35,232,074</b>	34,743,663
Foreign entities	<b>6,524,945</b>	6,761,244	<b>6,524,945</b>	6,761,244
	<b>72,077,169</b>	72,076,004	<b>72,262,798</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>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fixed rate				
- Housing loans	<b>36,789</b>	37,756	<b>36,789</b>	37,756
- Other fixed rate loans	<b>8,051,219</b>	8,131,801	<b>8,051,219</b>	8,131,801
Variable rate				
- Base rate/base lending rate-plus	<b>47,907,636</b>	47,593,910	<b>47,907,636</b>	47,593,910
- Cost-plus	<b>14,905,158</b>	15,086,407	<b>15,090,787</b>	15,272,030
- Other variable rates	<b>1,176,367</b>	1,226,130	<b>1,176,367</b>	1,226,130
	<b>72,077,169</b>	72,076,004	<b>72,262,798</b>	72,261,627

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**EXPLANATORY NOTES****15. LOANS AND ADVANCES (cont'd.)****(iv) Gross loans and advances by economic sector:**

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry and fishing	<b>687,242</b>	1,193,721	<b>687,242</b>	1,193,721
Mining and quarrying	<b>694,909</b>	986,162	<b>694,909</b>	986,162
Manufacturing	<b>7,401,615</b>	6,290,410	<b>7,401,615</b>	6,290,410
Electricity, gas and water	<b>56,803</b>	65,959	<b>56,803</b>	65,959
Construction	<b>7,252,048</b>	7,592,538	<b>7,252,048</b>	7,592,538
Wholesale, retail trade, restaurants and hotels	<b>9,267,442</b>	9,083,236	<b>9,267,442</b>	9,083,236
Transport, storage and communication	<b>1,047,046</b>	1,018,265	<b>1,047,046</b>	1,018,265
Finance, insurance and business services	<b>1,475,871</b>	2,190,185	<b>1,475,871</b>	2,190,185
Real estate	<b>3,313,227</b>	3,631,753	<b>3,498,856</b>	3,817,376
Community, social and personal services	<b>151,089</b>	147,596	<b>151,089</b>	147,596
Households:				
- purchase of residential properties	<b>26,841,903</b>	26,459,480	<b>26,841,903</b>	26,459,480
- purchase of non residential properties	<b>8,678,348</b>	8,474,411	<b>8,678,348</b>	8,474,411
- others	<b>5,209,626</b>	4,942,288	<b>5,209,626</b>	4,942,288
	<b>72,077,169</b>	72,076,004	<b>72,262,798</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>31-Mar-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>188,313</b>	854,466
Amount recovered	<b>(91,704)</b>	(318,031)
Reclassified as non-impaired	<b>(67,546)</b>	(245,202)
Amount written off	<b>(26,966)</b>	(144,121)
Balance as at 31 March/31 December	<b>1,218,278</b>	1,216,181
Individual impairment	<b>(183,352)</b>	(183,854)
Net impaired loans and advances	<b>1,034,926</b>	1,032,327
Ratio of net impaired loans and advances to net loans and advances	<b>1.5%</b>	1.5%

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

	<b>Group and Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
<b><u>Collective Impairment</u></b>		
Balance as at 1 January	<b>1,019,498</b>	909,718
Allowance made during the period/year	<b>49,773</b>	109,780
Balance as at 31 March/31 December	<b>1,069,271</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>31-Mar-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>50,246</b>	273,008
Amount written back in respect of recoveries	<b>(22,102)</b>	(139,523)
Amount written off	<b>(28,158)</b>	(147,294)
Interest recognised on impaired loans	<b>(488)</b>	(2,492)
Other adjustment/transferred to debt restructuring	-	(3,045)
Balance as at 31 March/31 December	<b>183,352</b>	183,854

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

	<b>Group and Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
Mining and quarrying	<b>287</b>	360
Manufacturing	<b>164,998</b>	204,103
Construction	<b>235,887</b>	200,318
Wholesale, retail trade, restaurants and hotels	<b>140,738</b>	140,881
Transport, storage and communication	<b>92,272</b>	100,232
Finance, insurance and business services	<b>15,912</b>	17,355
Real estate	<b>49,464</b>	48,921
Community, social and personal services	<b>843</b>	862
Households:		
- purchase of residential properties	<b>381,463</b>	370,721
- purchase of non residential properties	<b>51,128</b>	49,585
- others	<b>85,286</b>	82,843
	<b>1,218,278</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>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000
In Malaysia	<b>1,218,278</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.)**

	<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>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Other receivables, deposits and prepayments	<b>414,914</b>	521,391	<b>419,183</b>	525,759
Accrued interest receivable	<b>92,337</b>	104,660	<b>92,337</b>	104,660
Amount due from subsidiaries	-	-	<b>109</b>	-
Precious metal accounts	<b>287,949</b>	301,144	<b>287,949</b>	301,144
	<b>795,200</b>	927,195	<b>799,578</b>	931,563

**18. DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>19,081,589</b>	19,486,339	<b>19,083,724</b>	19,490,243
Savings deposits	<b>1,350,839</b>	1,320,941	<b>1,350,839</b>	1,320,941
Fixed deposits	<b>47,654,666</b>	46,918,827	<b>47,655,827</b>	46,919,980
Negotiable instruments of deposits	<b>334</b>	331	<b>334</b>	331
Others	<b>9,214,419</b>	8,346,668	<b>9,214,419</b>	8,346,668
	<b>77,301,847</b>	76,073,106	<b>77,305,143</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>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due within six months	<b>30,547,160</b>	33,536,308	<b>30,548,321</b>	33,537,461
Six months to one year	<b>16,925,724</b>	13,146,945	<b>16,925,724</b>	13,146,945
One year to three years	<b>126,051</b>	108,715	<b>126,051</b>	108,715
Three years to five years	<b>56,065</b>	127,190	<b>56,065</b>	127,190
	<b>47,655,000</b>	46,919,158	<b>47,656,161</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	
	31-Mar-16 RM'000	31-Dec-15 RM'000	31-Mar-16 RM'000	31-Dec-15 RM'000
Business enterprises				
- Subsidiaries	-	-	3,296	5,057
- Others	30,104,522	30,222,791	30,104,522	30,222,791
Individuals	40,262,337	39,893,837	40,262,337	39,893,837
Others	6,934,988	5,956,478	6,934,988	5,956,478
	<b>77,301,847</b>	<b>76,073,106</b>	<b>77,305,143</b>	<b>76,078,163</b>

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

	Group		Bank	
	31-Mar-16 RM'000	31-Dec-15 RM'000	31-Mar-16 RM'000	31-Dec-15 RM'000
Licensed banks in Malaysia	428,516	727,430	428,516	727,430
Bank Negara Malaysia	1,483,320	1,520,239	1,483,320	1,520,239
Other financial institutions	954,334	4,589,868	954,364	4,589,898
	<b>2,866,170</b>	<b>6,837,537</b>	<b>2,866,200</b>	<b>6,837,567</b>

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**EXPLANATORY NOTES**

**20. OTHER LIABILITIES**

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Provision for commitments and contingencies	<b>24,555</b>	24,516	<b>24,555</b>	24,516
Accrued interest payable	<b>621,946</b>	639,669	<b>621,046</b>	638,768
Accruals and provisions for operational expenses	<b>90,024</b>	182,031	<b>89,697</b>	180,916
Amount due to subsidiaries	-	-	-	26
Other payables and accruals	<b>631,061</b>	626,435	<b>630,783</b>	626,167
Deferred income	<b>232,245</b>	238,895	<b>232,245</b>	238,895
	<b>1,599,831</b>	1,711,546	<b>1,598,326</b>	1,709,288

**21. SUBORDINATED BONDS**

	<b>Group and Bank</b>	
	<b>31-Mar-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>1,006,195</b>	999,727
	<b>1,506,195</b>	1,499,727
Of which, fair value hedge gain/(loss)	<b>6,195</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 31 March 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 RM6,195,000 (2015: (RM273,000)) 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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**EXPLANATORY NOTES****23. INTEREST INCOME**

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	RM'000	RM'000	RM'000	RM'000
Interest income from loans and advances	<b>942,114</b>	856,620	<b>942,114</b>	856,620
Interest income from impaired loans and advances	<b>30,801</b>	28,554	<b>30,801</b>	28,554
Money at call and deposit placements with financial institutions	<b>85,040</b>	71,925	<b>85,040</b>	71,925
Financial assets at FVTPL	<b>20,034</b>	14,488	<b>20,034</b>	14,488
AFS securities	<b>50,087</b>	82,530	<b>50,087</b>	82,530
Others	<b>1,683</b>	-	<b>1,683</b>	-
	<b>1,129,759</b>	1,054,117	<b>1,129,759</b>	1,054,117
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	<b>(153)</b>	(131)	<b>(153)</b>	(131)
- AFS securities	<b>(2,538)</b>	(4,570)	<b>(2,538)</b>	(4,570)
	<b>1,127,068</b>	1,049,416	<b>1,127,068</b>	1,049,416
<b>Bank</b>				
Interest income from loans and advances	<b>944,348</b>	858,862	<b>944,348</b>	858,862
Interest income from impaired loans and advances	<b>30,801</b>	28,554	<b>30,801</b>	28,554
Money at call and deposit placements with financial institutions	<b>85,040</b>	71,925	<b>85,040</b>	71,925
Financial assets at FVTPL	<b>20,034</b>	14,488	<b>20,034</b>	14,488
AFS securities	<b>50,087</b>	82,530	<b>50,087</b>	82,530
Others	<b>1,683</b>	-	<b>1,683</b>	-
	<b>1,131,993</b>	1,056,359	<b>1,131,993</b>	1,056,359
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	<b>(153)</b>	(131)	<b>(153)</b>	(131)
- AFS securities	<b>(2,538)</b>	(4,570)	<b>(2,538)</b>	(4,570)
	<b>1,129,302</b>	1,051,658	<b>1,129,302</b>	1,051,658

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**EXPLANATORY NOTES**

**24. INTEREST EXPENSE**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	<b>604,016</b>	539,135	<b>604,016</b>	539,135
Deposits and placements of banks and other financial institutions	<b>14,386</b>	15,120	<b>14,386</b>	15,120
Subordinated bonds	<b>17,264</b>	11,609	<b>17,264</b>	11,609
Others	<b>734</b>	3,266	<b>734</b>	3,266
	<b>636,400</b>	569,130	<b>636,400</b>	569,130

**Bank**

Deposits from customers	<b>604,038</b>	539,135	<b>604,038</b>	539,135
Deposits and placements of banks and other financial institutions	<b>14,386</b>	15,153	<b>14,386</b>	15,153
Subordinated bonds	<b>17,264</b>	11,609	<b>17,264</b>	11,609
Others	<b>734</b>	3,266	<b>734</b>	3,266
	<b>636,422</b>	569,163	<b>636,422</b>	569,163

**25. OTHER OPERATING INCOME**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	RM'000	RM'000	RM'000	RM'000
<b>Fee income</b>				
Commission	<b>51,864</b>	54,990	<b>51,864</b>	54,990
Guarantee fees	<b>19,501</b>	18,943	<b>19,501</b>	18,943
Service charges and fees	<b>47,485</b>	52,053	<b>47,485</b>	52,053
Commitment fees	<b>7,114</b>	7,247	<b>7,114</b>	7,247
Arrangement and participation fees	<b>253</b>	70	<b>253</b>	70
	<b>126,217</b>	133,303	<b>126,217</b>	133,303



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**EXPLANATORY NOTES**

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

Group (cont'd.)	First Quarter Ended		Three Months Ended	
	31-Mar-16 RM'000	31-Mar-15 RM'000	31-Mar-16 RM'000	31-Mar-15 RM'000
<b><u>Trading and Investment income</u></b>				
Gain from sale of financial assets at FVTPL	5,823	4,126	5,823	4,126
Loss from trading derivatives	(755)	(553)	(755)	(553)
Unrealised gain/(loss) from trading derivatives	10,440	(3,757)	10,440	(3,757)
Loss from sale of precious metal	(1,074)	(965)	(1,074)	(965)
Unrealised (loss)/gain from sale of precious metal	(21)	639	(21)	639
Gain from sale/recovery of AFS securities	10,938	2,319	10,938	2,319
Unrealised gain on financial assets at FVTPL	1,161	2,425	1,161	2,425
Gross dividends from:				
- AFS securities unquoted in Malaysia	-	29	-	29
	<b>26,512</b>	<b>4,263</b>	<b>26,512</b>	<b>4,263</b>
<b><u>Other income</u></b>				
Foreign exchange gain	46,558	37,204	46,558	37,204
Rental income from operating leases	109	124	109	124
Gain on disposal of property, plant and equipment	-	95	-	95
Others	3,302	3,263	3,302	3,263
	<b>49,969</b>	<b>40,686</b>	<b>49,969</b>	<b>40,686</b>
	<b>202,698</b>	<b>178,252</b>	<b>202,698</b>	<b>178,252</b>

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**EXPLANATORY NOTES**

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

<b>Bank</b>	<b>First Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31-Mar-16 RM'000</b>	<b>31-Mar-15 RM'000</b>	<b>31-Mar-16 RM'000</b>	<b>31-Mar-15 RM'000</b>
<b><u>Fee income</u></b>				
Commission	<b>51,864</b>	54,990	<b>51,864</b>	54,990
Guarantee fees	<b>19,501</b>	18,943	<b>19,501</b>	18,943
Service charges and fees	<b>47,550</b>	52,088	<b>47,550</b>	52,088
Commitment fees	<b>7,116</b>	7,250	<b>7,116</b>	7,250
Arrangement and participation fees	<b>253</b>	70	<b>253</b>	70
	<b>126,284</b>	133,341	<b>126,284</b>	133,341
<b><u>Trading and Investment income</u></b>				
Gain from sale of financial assets at FVTPL	<b>5,823</b>	4,126	<b>5,823</b>	4,126
Loss from trading derivatives	<b>(755)</b>	(553)	<b>(755)</b>	(553)
Unrealised gain/(loss) from trading derivatives	<b>10,440</b>	(3,757)	<b>10,440</b>	(3,757)
Loss from sale of precious metal	<b>(1,074)</b>	(965)	<b>(1,074)</b>	(965)
Unrealised (loss)/gain from sale of precious metal	<b>(21)</b>	639	<b>(21)</b>	639
Gain from sale/recovery of AFS securities	<b>10,938</b>	2,319	<b>10,938</b>	2,319
Unrealised gain on financial assets at FVTPL	<b>1,161</b>	2,425	<b>1,161</b>	2,425
Gross dividends from:				
- AFS securities unquoted in Malaysia	-	29	-	29
	<b>26,512</b>	4,263	<b>26,512</b>	4,263

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**EXPLANATORY NOTES**

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

	First Quarter		Three Months	
	Ended		Ended	
<b>Bank (cont'd.)</b>	<b>31-Mar-16</b>	31-Mar-15	<b>31-Mar-16</b>	31-Mar-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b><u>Other income</u></b>				
Foreign exchange gain	<b>46,558</b>	37,204	<b>46,558</b>	37,204
Rental income from operating leases	-	21	-	21
Gain on disposal of property, plant and equipment	-	95	-	95
Gain on liquidation of subsidiary	<b>144</b>	-	<b>144</b>	-
Others	<b>3,313</b>	3,263	<b>3,313</b>	3,263
	<b>50,015</b>	40,583	<b>50,015</b>	40,583
	<b>202,811</b>	178,187	<b>202,811</b>	178,187

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

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	<b>154,807</b>	163,057	<b>154,807</b>	163,057
Establishment related expenses	<b>52,644</b>	41,885	<b>52,644</b>	41,885
Promotion and marketing related expenses	<b>10,753</b>	11,635	<b>10,753</b>	11,635
General administrative expenses	<b>29,928</b>	24,266	<b>29,928</b>	24,266
	<b>248,132</b>	240,843	<b>248,132</b>	240,843
<u>Personnel expenses</u>				
Wages, salaries and bonus	<b>123,607</b>	129,265	<b>123,607</b>	129,265
Defined contribution plan	<b>19,353</b>	19,194	<b>19,353</b>	19,194
Other employee benefits	<b>11,847</b>	14,598	<b>11,847</b>	14,598
	<b>154,807</b>	163,057	<b>154,807</b>	163,057
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	<b>14,685</b>	11,254	<b>14,685</b>	11,254
Hire of equipment	<b>14</b>	13	<b>14</b>	13
Information technology costs	<b>14,526</b>	10,964	<b>14,526</b>	10,964
Repair and maintenance	<b>3,822</b>	4,436	<b>3,822</b>	4,436
Rental of premises	<b>3,812</b>	3,292	<b>3,812</b>	3,292
Others	<b>15,785</b>	11,926	<b>15,785</b>	11,926
	<b>52,644</b>	41,885	<b>52,644</b>	41,885
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	<b>10,753</b>	11,635	<b>10,753</b>	11,635
<u>General administrative expenses</u>				
Fees and commissions paid	<b>10,777</b>	8,960	<b>10,777</b>	8,960
Others	<b>19,151</b>	15,306	<b>19,151</b>	15,306
	<b>29,928</b>	24,266	<b>29,928</b>	24,266

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

<b>Bank</b>	<b>First Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31-Mar-16 RM'000</b>	<b>31-Mar-15 RM'000</b>	<b>31-Mar-16 RM'000</b>	<b>31-Mar-15 RM'000</b>
Personnel expenses	<b>153,908</b>	162,171	<b>153,908</b>	162,171
Establishment related expenses	<b>54,766</b>	45,102	<b>54,766</b>	45,102
Promotion and marketing related expenses	<b>10,745</b>	11,618	<b>10,745</b>	11,618
General administrative expenses	<b>29,891</b>	24,258	<b>29,891</b>	24,258
	<b>249,310</b>	243,149	<b>249,310</b>	243,149
<u>Personnel expenses</u>				
Wages, salaries and bonus	<b>122,858</b>	128,499	<b>122,858</b>	128,499
Defined contribution plan	<b>19,243</b>	19,084	<b>19,243</b>	19,084
Other employee benefits	<b>11,807</b>	14,588	<b>11,807</b>	14,588
	<b>153,908</b>	162,171	<b>153,908</b>	162,171
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	<b>11,588</b>	9,716	<b>11,588</b>	9,716
Hire of equipment	<b>14</b>	13	<b>14</b>	13
Information technology costs	<b>14,526</b>	10,964	<b>14,526</b>	10,964
Repair and maintenance	<b>3,715</b>	4,312	<b>3,715</b>	4,312
Rental of premises	<b>8,544</b>	7,690	<b>8,544</b>	7,690
Others	<b>16,379</b>	12,407	<b>16,379</b>	12,407
	<b>54,766</b>	45,102	<b>54,766</b>	45,102
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	<b>10,745</b>	11,618	<b>10,745</b>	11,618
<u>General administrative expenses</u>				
Fees and commissions paid	<b>10,743</b>	8,960	<b>10,743</b>	8,960
Others	<b>19,148</b>	15,298	<b>19,148</b>	15,298
	<b>29,891</b>	24,258	<b>29,891</b>	24,258

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

Group	First Quarter Ended		Three Months Ended	
	31-Mar-16 RM'000	31-Mar-15 RM'000	31-Mar-16 RM'000	31-Mar-15 RM'000
<b>Allowance for impaired loans and advances</b>				
(a) Individual impairment				
- made in the period	<b>50,246</b>	79,152	<b>50,246</b>	79,152
- written back in the period	<b>(22,102)</b>	(34,823)	<b>(22,102)</b>	(34,823)
(b) Collective impairment				
- made in the period	<b>49,773</b>	11,004	<b>49,773</b>	11,004
<b>Impaired loans and advances</b>				
- written off	<b>653</b>	1,059	<b>653</b>	1,059
- recovered	<b>(9,760)</b>	(9,849)	<b>(9,760)</b>	(9,849)
	<b>68,810</b>	46,543	<b>68,810</b>	46,543
<b>Bank</b>				
<b>Allowance for impaired loans and advances</b>				
(a) Individual impairment				
- made in the period	<b>50,246</b>	79,152	<b>50,246</b>	79,152
- written back in the period	<b>(22,102)</b>	(34,823)	<b>(22,102)</b>	(34,823)
(b) Collective impairment				
- made in the period	<b>49,773</b>	11,004	<b>49,773</b>	11,004
<b>Impaired loans and advances</b>				
- written off	<b>653</b>	1,059	<b>653</b>	1,059
- recovered	<b>(9,760)</b>	(9,849)	<b>(9,760)</b>	(9,849)
	<b>68,810</b>	46,543	<b>68,810</b>	46,543

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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 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 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.

***Wholesale Banking (WB)***

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group ("FIG"), 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 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 lead managing and underwriting equity offerings, corporate advisory services structuring, underwriting and arranging syndicated loans and underwriting and lead managing bond issues. Transaction Banking provides trade finance and cash management services.

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**EXPLANATORY NOTES**

**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***

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 Group and the Bank, will receive the corresponding funds credit or income to reflect its economic contribution.



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**EXPLANATORY NOTES**

**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 31 March 2016</b>							
Operating income	313,657	263,564	30,423	92,615	700,259	(6,893)	693,366
Other operating expenses	(169,499)	(51,365)	(12,369)	(20,876)	(254,109)	5,977	(248,132)
Allowance for impairment on loans and advances	(29,326)	(39,523)	-	39	(68,810)	-	(68,810)
Provision for commitments and contingencies	-	(39)	-	-	(39)	-	(39)
Share of net profit of an associate	-	-	-	68	68	-	68
Profit before taxation	<u>114,832</u>	<u>172,637</u>	<u>18,054</u>	<u>71,846</u>	<u>377,369</u>	<u>(916)</u>	<u>376,453</u>
Income tax expense							<u>(88,908)</u>
							<u>287,545</u>

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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
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**For period ended 31 March 2016**

**Other information**

Inter-segment operating income	5,967	73,330	(176,366)	103,962	6,893	(6,893)	-
Depreciation of property, plant and equipment	2,149	408	607	11,500	14,664	21	14,685

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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>For period ended 31 March 2015</b>							
Operating income	299,079	231,915	51,994	81,795	664,783	(6,245)	658,538
Other operating expenses	(165,190)	(44,924)	(10,994)	(25,335)	(246,443)	5,600	(240,843)
Allowance for impairment on loans and advances	(29,565)	(16,994)	-	16	(46,543)	-	(46,543)
Impairment loss on AFS securities	-	-	-	-	-	-	-
Provision for commitments and contingencies	-	(15,016)	-	-	(15,016)	-	(15,016)
Share of net profit of an associate	-	-	-	581	581	-	581
Profit before taxation	104,324	154,981	41,000	57,057	357,362	(645)	356,717
Income tax expense							(83,011)
							<u>273,706</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>For period ended 31 March 2015</b>							
<b>Other information</b>							
Inter-segment operating income	(24,126)	69,578	(128,364)	89,157	6,245	(6,245)	-
Depreciation of property, plant and equipment	1,745	247	438	8,841	11,271	(17)	11,254

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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>As at 31 March 2016</b>							
<b>Segment assets</b>							
Gross loans	46,654,405	25,211,126	-	397,267	72,262,798	(185,629)	72,077,169
Unallocated assets							20,856,389
Total assets							<u>92,933,558</u>
<b>Segment liabilities</b>							
Deposits from customers	48,287,977	28,256,629	606,904	153,633	77,305,143	(3,296)	77,301,847
Unallocated liabilities							7,562,130
Total liabilities							<u>84,863,977</u>

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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>As at 31 December 2015</b>							
<b>Segment assets</b>							
Gross loans	46,135,673	25,740,028	-	385,926	72,261,627	(185,623)	72,076,004
Unallocated assets							23,302,452
Total assets							<u>95,378,456</u>
<b>Segment liabilities</b>							
Deposits from customers	47,954,204	27,301,943	710,872	111,144	76,078,163	(5,057)	76,073,106
Unallocated liabilities							11,528,772
Total liabilities							<u>87,601,878</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) and Basel II – Risk-weighted Assets framework.

	<b>Group</b>		<b>Bank</b>	
	<b>31-Mar-16</b>	31-Dec-15	<b>31-Mar-16</b>	31-Dec-15
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	<b>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>6,305,544</b>	6,305,544	<b>6,368,438</b>	6,368,438
Statutory reserve	<b>470,000</b>	470,000	<b>470,000</b>	470,000
Other reserves	<b>228,989</b>	223,531	<b>61,845</b>	56,387
Regulatory adjustments applied in the calculation of CET1 Capital	<b>(244,651)</b>	(238,046)	<b>(94,792)</b>	(90,887)
Total CET1/Tier 1 Capital	<b>7,552,437</b>	7,553,584	<b>7,598,046</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>222,958</b>	169,563	<b>229,374</b>	175,551
- Collective impairment provisions	<b>25,741</b>	25,697	<b>22,065</b>	22,073
Regulatory adjustments applied in the calculation of Tier 2 Capital	<b>67,485</b>	65,250	<b>(5,425)</b>	(8,143)
Total Tier 2 Capital	<b>1,816,184</b>	1,760,510	<b>1,746,014</b>	1,689,481
Total Capital	<b>9,368,621</b>	9,314,094	<b>9,344,060</b>	9,285,974

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

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

	Group		Bank	
	31-Mar-16	31-Dec-15	31-Mar-16	31-Dec-15
CET1/Tier 1 Capital	<b>14.233%</b>	14.155%	<b>14.399%</b>	14.314%
Total Capital	<b>17.656%</b>	17.455%	<b>17.707%</b>	17.497%
CET1/Tier 1 Capital*	<b>13.529%</b>	13.455%	<b>13.690%</b>	13.610%
Total Capital*	<b>16.952%</b>	16.754%	<b>16.999%</b>	16.793%

\* net of proposed dividends

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

	Group		Bank	
	31-Mar-16 RM'000	31-Dec-15 RM'000	31-Mar-16 RM'000	31-Dec-15 RM'000
Total RWA for credit risk	<b>47,163,380</b>	47,520,377	<b>46,869,320</b>	47,230,453
Total RWA for market risk	<b>1,128,866</b>	1,167,514	<b>1,128,866</b>	1,167,514
Total RWA for operational risk	<b>4,770,076</b>	4,673,789	<b>4,771,433</b>	4,673,789
	<b>53,062,322</b>	53,361,680	<b>52,769,619</b>	53,071,756



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**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>Risk weighted amount RM'000</b>
	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	
<b>As at 31 March 2016</b>			
Direct credit substitutes	2,420,700	2,420,700	1,658,290
Transaction-related contingent items	4,717,175	2,335,827	1,440,161
Short-term self-liquidating trade-related contingencies	377,611	86,065	59,242
Foreign exchange related contracts			
- less than one year	19,562,156	726,169	276,886
- more than one year to less than five years	347,652	40,621	40,616
Interest rate related contracts			
- less than one year	4,824,976	16,870	6,370
- more than one year to less than five years	16,375,790	693,292	450,135
- five years and above	1,305,752	79,680	97,462
Equity related contracts			
- less than one year	457,590	31,734	13,823
- more than one year to less than five years	204,096	12,523	7,667
Commodity related contracts			
- less than one year	417,528	79,318	29,344
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility			
- less than one year	12,974,295	1,105,817	262,466
- more than one year	11,978,141	7,215,554	4,733,156
- unconditionally cancellable	8,988,695	2,330,262	271,972
<b>Total</b>	<b>85,152,157</b>	<b>17,198,432</b>	<b>9,359,590</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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**31. PERFORMANCE REVIEW**

For the first quarter ended 31 March 2016, the Group recorded a profit before taxation of RM376.5 million, 5.5% increase over corresponding period last year mainly due to higher operating income coupled with lower provision in commitments and contingencies, partially offset by higher other operating expenses and allowance for impairment on loans and advances.

Net interest income increased by 2.2% or RM10.4 million to RM490.7 million due to higher interest income from customer loans, partially offset by higher interest expenses from customer deposits and lower interest income from available-for-sale securities.

Other operating income improved by 13.7% or RM24.4 million to RM202.7 million mainly from higher trading and investment income and higher foreign exchange gain, partially offset by lower fee income.

Total operating expenses rose 3.0% or RM7.3 million to RM248.1 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 36.6% to 35.8% due to higher income growth.

Allowance for impairment on loans and advances increased by 47.8% or RM22.3 million to RM68.8 million mainly contributed by higher collective impairment of RM38.8 million, partially offset by lower individual impairment of RM16.5 million. Asset quality remained sound with net non-performing loans ratio stable at 1.4%.

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**32. PROSPECTS FOR 2016**

The global economy is expected to improve at a modest pace in 2016 albeit growth remains vulnerable to considerable downside risks in view of divergent global monetary policies, high uncertainty surrounding the direction of global commodity prices and volatile financial market conditions.

Malaysia's Gross Domestic Product in real terms is expected to expand moderately by 4.0% – 4.5% in 2016. Domestic demand remains the key driver of growth, sustained primarily by private sector spending. Growth in income and manageable unemployment, higher disposable incomes from the measures announced during the 2016 Budget Recalibration, infrastructure projects and capital spending in manufacturing and services are factors that will support domestic-driven growth. Over the longer term, the economy remains attractive given its solid fundamentals and ongoing policy reforms to stimulate potential economic growth.

Despite the challenging environment, the Group will continue to invest in capabilities, ensure a resilient balance sheet and stay disciplined in pursuing sustainable growth.

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