

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2017

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

Company No. 271809K

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Notes	Group		Bank	
		30-Sep-17 RM'000	31-Dec-16 RM'000	30-Sep-17 RM'000	31-Dec-16 RM'000
ASSETS					
Cash and short-term funds	11	11,518,627	11,805,740	11,518,627	11,805,740
Securities purchased under resale agreements		1,800,921	644,041	1,800,921	644,041
Deposits and placements with financial institutions	12	350,000	589,100	350,000	589,100
Financial assets at fair value through profit or loss ("FVTPL")	13	1,248,428	228,055	1,248,428	228,055
Available-for-sale ("AFS") securities	14	10,145,443	6,871,580	10,145,443	6,871,580
Loans, advances and financing	15	76,614,211	76,450,132	76,727,218	76,630,127
Derivative financial assets	16	472,136	768,981	472,136	768,981
Other assets	17	372,062	474,366	380,964	488,042
Statutory deposits with Bank Negara Malaysia		1,616,586	2,098,668	1,616,586	2,098,668
Investment in subsidiaries		-	-	105,040	40
Investment in an associate		9,799	11,554	13,522	13,522
Property, plant and equipment		535,905	530,574	239,238	231,728
Deferred tax assets		56,912	46,052	56,912	46,052
Total assets		104,741,030	100,518,843	104,675,035	100,415,676
LIABILITIES					
Deposits from customers	18	83,847,815	82,184,676	83,882,222	82,188,597
Deposits and placements of banks and other financial institutions	19	6,995,429	4,872,703	6,995,459	4,872,733
Bills and acceptances payable		280,925	227,516	280,925	227,516
Derivative financial liabilities	16	483,407	731,064	483,407	731,064
Other liabilities	20	2,423,867	2,414,657	2,422,412	2,412,331
Tax payable		116,527	70,905	116,724	69,850
Deferred tax liabilities		14,554	14,554	-	-
Subordinated bonds	21	1,504,468	1,503,784	1,504,468	1,503,784
Total liabilities		95,666,992	92,019,859	95,685,617	92,005,875

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UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)

AS AT 30 SEPTEMBER 2017

		Group		Bank	
	Notes	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
		RM'000	RM'000	RM'000	RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		792,555	470,000	792,555	470,000
Reserves		8,281,483	8,028,984	8,196,863	7,939,801
Total equity		9,074,038	8,498,984	8,989,418	8,409,801
TOTAL LIABILITIES AND EQUITY		104,741,030	100,518,843	104,675,035	100,415,676
Commitments and contingencies	30	95,620,126	88,409,809	95,620,126	88,409,809

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 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Group	Notes	Third Quarter Ended		Nine Months Ended	
		30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
Operating revenue	22	1,433,731	1,374,395	4,190,795	4,021,212
Interest income	23	1,211,321	1,147,789	3,534,117	3,394,762
Interest expense	24	(695,906)	(667,050)	(2,006,726)	(1,955,693)
Net interest income		515,415	480,739	1,527,391	1,439,069
Net income from Islamic Banking operations	33	6,451	1,821	15,426	1,821
Other operating income	25	215,127	228,800	640,963	635,141
Operating income		736,993	711,360	2,183,780	2,076,031
Other operating expenses	26	(279,050)	(265,531)	(817,217)	(788,196)
Operating profit before allowance for impairment on loans, advances and financing, and provision for commitments and contingencies		457,943	445,829	1,366,563	1,287,835
Allowance for impairment on loans, advances and financing	27	(85,337)	(61,892)	(188,962)	(189,056)
Writeback of/(provision) for commitments and contingencies-net		4,556	(3,919)	2,616	5,337
		377,162	380,018	1,180,217	1,104,116
Share of net profit of an associate		55	78	167	179
Profit before taxation		377,217	380,096	1,180,384	1,104,295
Income tax expense		(85,851)	(90,290)	(280,693)	(263,225)
Profit for the period attributable to equity holders of the Bank		291,366	289,806	899,691	841,070
Basic/diluted earnings per share (sen)		62.0	61.7	191.4	179.0

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

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UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Bank	Notes	Third Quarter Ended		Nine Months Ended	
		30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
		RM'000	RM'000	RM'000	RM'000
Operating revenue	22	1,435,492	1,376,532	4,198,347	4,027,683
Interest income	23	1,213,024	1,149,969	3,539,767	3,401,359
Interest expense	24	(695,916)	(667,068)	(2,006,766)	(1,955,753)
Net interest income		517,108	482,901	1,533,001	1,445,606
Net income from Islamic Banking operations	33	6,451	1,821	15,426	1,821
Other operating income	25	215,174	228,758	642,850	635,171
Operating income		738,733	713,480	2,191,277	2,082,598
Other operating expenses	26	(281,235)	(267,830)	(823,719)	(794,108)
Operating profit before allowance for impairment on loans, advances and financing, and provision for commitments and contingencies		457,498	445,650	1,367,558	1,288,490
Allowance for impairment on loans, advances and financing	27	(84,936)	(63,477)	(188,512)	(190,641)
Writeback of/(provision) for commitments and contingencies-net		4,556	(3,919)	2,616	5,337
Profit before taxation		377,118	378,254	1,181,662	1,103,186
Income tax expense		(83,392)	(90,072)	(277,408)	(262,785)
Profit for the period attributable to equity holders of the Bank		293,726	288,182	904,254	840,401
Basic/diluted earnings per share (sen)		62.5	61.3	192.4	178.8

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2016.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
Profit for the period	291,366	289,806	899,691	841,070
<i>Other comprehensive income:</i>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on revaluation of AFS securities	20,246	20,064	80,570	82,950
Income tax effect	(4,859)	(4,815)	(19,337)	(19,908)
Total other comprehensive income for the period, net of tax	15,387	15,249	61,233	63,042
Total comprehensive income for the period attributable to equity holders of the Bank	306,753	305,055	960,924	904,112

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 2016.

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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 2017

Bank	Third Quarter Ended		Nine Months Ended	
	30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
Profit for the period	293,726	288,182	904,254	840,401
<i>Other comprehensive income:</i>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on revaluation of AFS securities	20,246	20,064	80,570	82,950
Income tax effect	(4,859)	(4,815)	(19,337)	(19,908)
Total other comprehensive income for the period, net of tax	15,387	15,249	61,233	63,042
Total comprehensive income for the period attributable to equity holders of the Bank	309,113	303,431	965,487	903,443

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 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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
2017							
Balance as at 1 January 2017	470,000	322,555	470,000	146,736	57,029	7,032,664	8,498,984
Profit for the period	-	-	-	-	-	899,691	899,691
Other comprehensive income	-	-	-	-	61,233	-	61,233
Total comprehensive income	-	-	-	-	61,233	899,691	960,924
Transactions with owners/other equity movements:							
Transfer pursuant to Companies Act 2016	322,555	(322,555)	-	-	-	-	-
Transfer to retained earnings	-	-	(470,000)	-	-	470,000	-
Dividends paid:							
- final dividend for the financial year ended 31 December 2016	-	-	-	-	-	(385,870)	(385,870)
Balance as at 30 September 2017	792,555	-	-	146,736	118,262	8,016,485	9,074,038

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 2016.

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 2017**

GROUP (cont'd.)	← 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	RM'000
2016								
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 financial 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 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

BANK	← 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
2017						
Balance as at 1 January 2017	470,000	322,555	470,000	50,127	7,097,119	8,409,801
Profit for the period	-	-	-	-	904,254	904,254
Other comprehensive income	-	-	-	61,233	-	61,233
Total comprehensive income	-	-	-	61,233	904,254	965,487
Transactions with owners/other equity movements:						
Transfer pursuant to Companies Act 2016	322,555	(322,555)	-	-	-	-
Transfer to retained earnings	-	-	(470,000)	-	470,000	-
Dividends paid:						
- final dividend for the financial year ended 31 December 2016	-	-	-	-	(385,870)	(385,870)
Balance as at 30 September 2017	792,555	-	-	111,360	8,085,503	8,989,418

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 2016.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

BANK (cont'd.)	← 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
2016						
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 financial 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 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	Group		Bank	
	30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
Profit before taxation	1,180,384	1,104,295	1,181,662	1,103,186
Adjustments for non-operating and non-cash items	100,638	168,231	92,152	162,908
Operating profit before working capital changes	1,281,022	1,272,526	1,273,814	1,266,094
Changes in working capital:				
Net changes in operating assets	(1,650,309)	3,582,853	(1,578,098)	3,582,978
Net changes in operating liabilities	3,450,302	1,396,425	3,481,658	1,394,237
Tax expense paid	(265,268)	(295,593)	(260,731)	(295,259)
Net cash generated from operating activities	2,815,747	5,956,211	2,916,643	5,948,050
Net cash used in investing activities	(2,956,774)	(651,202)	(3,057,670)	(643,041)
Net cash used in financing activities	(385,186)	(363,732)	(385,186)	(363,732)
Net (decrease)/increase in cash and cash equivalents	(526,213)	4,941,277	(526,213)	4,941,277
Cash and cash equivalents at beginning of the period	12,394,840	7,748,433	12,394,840	7,748,433
Cash and cash equivalents at end of the period	11,868,627	12,689,710	11,868,627	12,689,710
Analysis of cash and cash equivalents				
Cash and short-term funds	11,518,627	12,378,165	11,518,627	12,378,165
Deposits and placements with financial institutions	350,000	311,545	350,000	311,545
	11,868,627	12,689,710	11,868,627	12,689,710

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 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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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 2016. 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 2016.

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 2016.

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

Annual Improvements to MFRS Standards 2014–2016 Cycle

Amendments to MFRS 2 Classification and Measurement of Share-based

Payment Transactions

Clarifications to MFRS 15

Amendments to MFRS 140 Transfers of Investment Property

IC Int. 22: Foreign Currency Transaction and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

Effective for financial periods to be determined by the MASB

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

1. BASIS OF PREPARATION (cont'd.)

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 project 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.

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.

Companies Act 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and all of the provisions other than Section 241 and Division 8 of Part III of the New Act came into operations on 31 January 2017.

Amongst the key changes introduced in the New Act which affects the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 includes:

- (a) removal of the authorised share capital;
- (b) shares of the Bank will cease to have par or nominal value; and
- (c) the Bank's share premium account will become part of the Bank's share capital.

During the period, the Bank had transferred a total of RM322,555,000 from its share premium account to the share capital pursuant to the New Act.

The adoption of the New Act did not have any financial impact on the Group and the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2016 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 2017.

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 2017.

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 2017.

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 2016.

8. DIVIDENDS

A final single-tier dividend of 82.1% in respect of the financial year ended 31 December 2016, amounting to RM385,870,000 was paid on 5 May 2017.

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 2017.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
Cash and balances with banks and other financial institutions	382,007	995,640
Money at call and deposit placements maturing within one month	11,136,620	10,810,100
	11,518,627	11,805,740

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
Licensed banks	350,000	-
Bank Negara Malaysia	-	589,100
	350,000	589,100

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

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
Held-for-trading securities		
At fair value		
Malaysian Government treasury bills	227,939	119,049
Malaysian Government securities	-	59,526
Negotiable instruments of deposits	1,000,120	-
Bankers' acceptances	20,369	49,480
Total financial assets at FVTPL	1,248,428	228,055

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EXPLANATORY NOTES

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

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
At fair value		
Money market instruments		
Malaysian Government securities	6,217,391	3,745,842
Negotiable instruments of deposits	2,160,377	1,600,220
Cagamas bonds	1,462,392	1,262,029
	9,840,160	6,608,091
Private debt securities of companies incorporated		
In Malaysia		
Quoted corporate bonds	188,686	177,152
Impairment loss	(39,960)	(39,960)
	148,726	137,192
Quoted securities		
Shares of corporations in Malaysia	2,840	2,893
	2,840	2,893
Unquoted securities		
Shares	153,441	123,128
	153,441	123,128
At Cost		
Unquoted securities		
Private debt securities	276	276
	276	276
Total AFS securities	10,145,443	6,871,580
Movements in allowance for impairment on private debt securities are as follows:		
Balance as at 1 January/30 September	(39,960)	(39,960)

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES**15. LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30-Sep-17 RM'000	31-Dec-16 RM'000	30-Sep-17 RM'000	31-Dec-16 RM'000
Overdrafts	3,201,496	3,141,034	3,201,496	3,141,034
Term loans/financing and revolving credits				
- Housing loans/financing	29,870,135	27,404,206	29,870,135	27,404,206
- Syndicated term loans/financing	751,976	827,109	751,976	827,109
- Other term loans/financing	35,687,265	35,039,619	35,801,403	35,221,195
Credit card receivables	2,485,447	2,458,943	2,485,447	2,458,943
Bills receivables	548,165	2,052,783	548,165	2,052,783
Trust receipts	2,186,440	2,127,203	2,186,440	2,127,203
Claims on customers under acceptance credits	5,019,688	4,826,146	5,019,688	4,826,146
Staff loans	40,311	44,929	40,311	44,929
Others	21,004	14,479	21,004	14,479
	79,811,927	77,936,451	79,926,065	78,118,027
Unearned interest/income	(1,720,356)	(129,182)	(1,720,356)	(129,182)
Gross loans, advances and financing	78,091,571	77,807,269	78,205,709	77,988,845
Allowance for impairment on loans, advances and financing				
- Individual impairment	(249,379)	(233,670)	(249,379)	(233,670)
- Collective impairment	(1,227,981)	(1,123,467)	(1,229,112)	(1,125,048)
Net loans, advances and financing	76,614,211	76,450,132	76,727,218	76,630,127

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EXPLANATORY NOTES**15. LOANS, ADVANCES AND FINANCING (cont'd.)****(i) Gross loans, advances and financing by maturity structure:**

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	21,877,285	22,108,480	21,877,285	22,108,480
One year to three years	3,857,263	4,099,853	3,971,401	4,281,429
Three years to five years	4,816,188	4,591,593	4,816,188	4,591,593
Over five years	47,540,835	47,007,343	47,540,835	47,007,343
	78,091,571	77,807,269	78,205,709	77,988,845

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

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	-	29,626	-	29,626
Domestic non-banking financial institutions				
- Stockbroking companies	20,605	13,007	20,605	13,007
- Others	551,157	441,181	551,157	441,181
Domestic business enterprises				
- Small medium enterprises	17,501,833	16,430,245	17,501,833	16,430,245
- Others	14,637,643	15,553,005	14,751,781	15,734,581
Individuals	38,592,219	37,300,286	38,592,219	37,300,286
Foreign entities	6,788,114	8,039,919	6,788,114	8,039,919
	78,091,571	77,807,269	78,205,709	77,988,845

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EXPLANATORY NOTES

15. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	29,345	33,940	29,345	33,940
- Other fixed rate loans/ financing	8,245,437	7,956,309	8,245,437	7,956,309
Variable rate				
- Base rate/base lending/ financing rate-plus	51,273,449	49,800,201	51,273,449	49,800,201
- Cost-plus	17,617,110	18,953,635	17,731,248	19,135,211
- Other variable rates	926,230	1,063,184	926,230	1,063,184
	78,091,571	77,807,269	78,205,709	77,988,845

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EXPLANATORY NOTES

15. LOANS, ADVANCES AND FINANCING (cont'd.)

(iv) Gross loans, advances and financing by economic sector:

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,396,890	1,235,844	1,396,890	1,235,844
Mining and quarrying	550,622	1,942,858	550,622	1,942,858
Manufacturing	6,075,095	5,626,009	6,075,095	5,626,009
Electricity, gas and water	105,420	92,441	105,420	92,441
Construction	7,202,002	7,250,289	7,202,002	7,250,289
Wholesale, retail trade, restaurants and hotels	9,970,946	9,454,824	9,970,946	9,454,824
Transport, storage and communication	1,229,653	1,252,791	1,229,653	1,252,791
Finance, insurance and business services	2,971,148	3,279,876	2,971,148	3,279,876
Real estate	4,615,817	5,071,053	4,729,955	5,252,629
Community, social and personal services	137,802	150,689	137,802	150,689
Households				
- purchase of residential properties	29,549,929	28,258,859	29,549,929	28,258,859
- purchase of non residential properties	9,023,573	8,988,061	9,023,573	8,988,061
- others	5,262,674	5,203,675	5,262,674	5,203,675
	78,091,571	77,807,269	78,205,709	77,988,845

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15. LOANS, ADVANCES AND FINANCING (cont'd.)

- (v) **Movements in impaired loans, advances and financing ("Impaired loans") are as follows:**

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
Balance as at 1 January	1,226,347	1,216,181
Classified as impaired during the period/year	741,470	872,015
Amount recovered	(227,158)	(322,069)
Reclassified as non-impaired	(199,262)	(417,263)
Amount written-off	(95,018)	(122,517)
Balance as at 30 September/31 December	1,446,379	1,226,347
Individual impairment	(249,379)	(233,670)
Net impaired loans, advances and financing	1,197,000	992,677
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less individual impairment provisions	1.5%	1.3%

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

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
<u>Collective Impairment</u>				
Balance as at 1 January	1,123,467	1,019,498	1,125,048	1,019,498
Impairment loss during the period/year	104,514	103,969	104,064	105,550
Balance as at 30 September/31 December	1,227,981	1,123,467	1,229,112	1,125,048

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EXPLANATORY NOTES

15. LOANS, ADVANCES AND FINANCING (cont'd.)

- (vi) **Movements in allowance for impairment on loans, advances and financing ("Impaired loans") are as follows (cont'd.):**

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
<u>Individual Impairment</u>		
Balance as at 1 January	233,670	183,854
Impairment loss during the period/year	201,408	275,821
Amount written back in respect of recoveries	(98,995)	(91,718)
Amount written-off	(83,457)	(126,610)
Interest recognised on impaired loans	(3,247)	(6,885)
Others	-	(792)
Balance as at 30 September/31 December	249,379	233,670

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

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	11,688	14,255
Manufacturing	142,436	134,662
Construction	155,931	162,417
Wholesale, retail trade, restaurants and hotels	170,181	126,630
Transport, storage and communication	153,906	99,836
Finance, insurance and business services	136,106	138,881
Real estate	140,907	47,759
Community, social and personal services	782	953
Households		
- purchase of residential properties	379,007	359,551
- purchase of non residential properties	60,201	46,064
- others	95,234	95,339
	1,446,379	1,226,347

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EXPLANATORY NOTES

15. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
In Malaysia	1,446,379	1,226,347

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

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 September 2017			
Foreign exchange contracts			
- forwards	10,307,497	51,386	138,993
- swaps	11,486,463	116,917	88,645
- options	1,134,403	6,758	2,877
Interest rate related contracts			
- swaps	27,921,156	242,735	201,548
- futures	122,438	1	7
Equity related contracts			
- swaps	184,473	5,826	5,826
- options	1,383,698	38,852	38,852
Commodity related contracts			
- swaps	192,735	3,733	6,314
- futures	188,966	5,928	345
- options	530,523	-	-
		<u>472,136</u>	<u>483,407</u>

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EXPLANATORY NOTES

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

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2016			
Foreign exchange contracts			
- forwards	8,801,305	361,477	69,132
- swaps	7,708,573	57,101	255,638
- options	747,239	11,610	8,564
Interest rate related contracts			
- swaps	27,438,123	270,447	331,307
- futures	874,770	248	16
Equity related contracts			
- swaps	237,424	43,247	43,247
- options	748,187	6,153	6,153
Commodity related contracts			
- swaps	305,016	16,773	15,981
- futures	50,281	866	1,026
- options	221,225	1,059	-
	768,981	768,981	731,064

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

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17. OTHER ASSETS

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	28,154	125,204	36,921	138,738
Accrued interest/profit receivable	137,357	101,508	137,357	101,508
Amount due from subsidiaries	-	-	135	142
Precious metal accounts	206,551	247,654	206,551	247,654
	372,062	474,366	380,964	488,042

18. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Demand deposits	20,799,404	21,416,915	20,833,811	21,419,651
Savings deposits	1,618,125	1,490,000	1,618,125	1,490,000
Fixed deposits	53,732,174	52,339,532	53,732,174	52,340,717
Negotiable instruments of deposits	-	343	-	343
Others	7,698,112	6,937,886	7,698,112	6,937,886
	83,847,815	82,184,676	83,882,222	82,188,597

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

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Due within six months	36,511,625	34,619,235	36,511,625	34,620,420
Six months to one year	17,145,643	17,620,720	17,145,643	17,620,720
One year to three years	71,798	98,576	71,798	98,576
Three years to five years	3,108	1,344	3,108	1,344
	53,732,174	52,339,875	53,732,174	52,341,060

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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-17 RM'000	31-Dec-16 RM'000	30-Sep-17 RM'000	31-Dec-16 RM'000
Business enterprises				
- Subsidiaries	-	-	34,407	3,921
- Related companies	625	8,467	625	8,467
- Others	32,750,998	33,849,276	32,750,998	33,849,276
Individuals	43,902,806	43,105,992	43,902,806	43,105,992
Others	7,193,386	5,220,941	7,193,386	5,220,941
	83,847,815	82,184,676	83,882,222	82,188,597

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30-Sep-17 RM'000	31-Dec-16 RM'000	30-Sep-17 RM'000	31-Dec-16 RM'000
Licensed banks in Malaysia	1,410,385	1,980,357	1,410,385	1,980,357
Bank Negara Malaysia	1,305,272	1,384,357	1,305,272	1,384,357
Other financial institutions	4,279,772	1,507,989	4,279,802	1,508,019
	6,995,429	4,872,703	6,995,459	4,872,733

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20. OTHER LIABILITIES

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies	17,838	20,292	17,838	20,292
Accrued interest/profit payable	811,515	778,697	811,515	778,697
Accruals and provisions for operational expenses	174,221	172,502	172,844	171,057
Other payables and accruals	1,215,966	1,217,651	1,215,888	1,216,770
Deferred income	204,327	225,515	204,327	225,515
	2,423,867	2,414,657	2,422,412	2,412,331

21. SUBORDINATED BONDS

	Group and Bank	
	30-Sep-17	31-Dec-16
	RM'000	RM'000
RM500 million Subordinated Bonds 2013/2023, at par (Note (a))	500,000	500,000
RM1.0 billion Subordinated Bonds 2015/2025, at par (Note (b))	1,004,468	1,003,784
	1,504,468	1,503,784
Of which, fair value hedge loss (Note (b))	4,469	3,784

- (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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EXPLANATORY NOTES

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 2017, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (31 December 2016: RM500 million) whereby the Bank receives a fixed interest rate of 4.65% per annum and pays variable interests rate of KLIBOR 6M plus 0.590% to 0.725% on the notional amount. The swap is being used to hedge exposure to changes in fair value of fixed rate of the Bonds 2.

The movement in fair value of the interest rate swap of RM685,000 (31 December 2016: RM4,057,000) are recognised in trading and investment income during the year. 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 and other income derived from banking operations.

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EXPLANATORY NOTES**23. INTEREST INCOME**

Group	Third Quarter		Nine Months	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	RM'000	RM'000	RM'000	RM'000
Interest income from loans, advances and financing	982,102	962,277	2,924,433	2,846,311
Interest income from impaired loans, advances and financing	21,171	18,800	54,110	67,729
Money at call and deposit placements with financial institutions	94,264	104,733	244,408	283,979
Financial assets at FVTPL	14,526	11,188	37,677	42,022
AFS securities	101,937	52,836	280,248	160,380
Others	227	234	969	2,762
	1,214,227	1,150,068	3,541,845	3,403,183
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(35)	(171)	(154)	(484)
- AFS securities	(2,871)	(2,108)	(7,574)	(7,937)
	1,211,321	1,147,789	3,534,117	3,394,762
Bank				
Interest income from loans, advances and financing	983,805	964,457	2,930,083	2,852,908
Interest income from impaired loans, advances and financing	21,171	18,800	54,110	67,729
Money at call and deposit placements with financial institutions	94,264	104,733	244,408	283,979
Financial assets at FVTPL	14,526	11,188	37,677	42,022
AFS securities	101,937	52,836	280,248	160,380
Others	227	234	969	2,762
	1,215,930	1,152,248	3,547,495	3,409,780
Amortisation of premium less accretion of discount on:				
- financial assets at FVTPL	(35)	(171)	(154)	(484)
- AFS securities	(2,871)	(2,108)	(7,574)	(7,937)
	1,213,024	1,149,969	3,539,767	3,401,359

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EXPLANATORY NOTES

24. INTEREST EXPENSE

Group	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	644,566	628,946	1,870,898	1,846,249
Deposits and placements of banks and other financial institutions	30,134	17,570	75,084	48,174
Subordinated bonds	16,837	17,198	50,089	51,523
Others	4,369	3,336	10,655	9,747
	695,906	667,050	2,006,726	1,955,693
Bank				
Deposits from customers	644,576	628,964	1,870,938	1,846,309
Deposits and placements of banks and other financial institutions	30,134	17,570	75,084	48,174
Subordinated bonds	16,837	17,198	50,089	51,523
Others	4,369	3,336	10,655	9,747
	695,916	667,068	2,006,766	1,955,753

25. OTHER OPERATING INCOME

Group	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	72,728	61,605	211,918	168,678
Guarantee fees	19,689	25,932	59,048	69,297
Service charges and fees	57,728	61,959	159,157	163,861
Commitment fees	7,378	7,215	22,418	22,202
Arrangement and participation fees	10	3,810	1,391	10,514
	157,533	160,521	453,932	434,552

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

Group (cont'd.)	Third Quarter Ended		Nine Months Ended	
	30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
<u>Trading and Investment income</u>				
(Loss)/Gain from sale of financial assets at FVTPL	(3,542)	9,749	(1,357)	18,070
Unrealised gain on financial assets at FVTPL	1,721	545	264	305
Gain/(Loss) from trading derivatives	8,152	1,547	40,119	(6,750)
Unrealised gain from trading derivatives	5,801	2,224	16,502	19,281
Unrealised gain/(loss) on fair value hedge	35	(2,158)	(685)	(9,918)
Gain from sale of precious metal	652	1,196	919	948
Unrealised (loss)/gain from sale of precious metal	(8)	26	24	(10)
Gain from sale/recovery of AFS securities	3,267	9,907	7,289	29,013
Gross dividends from:				
- AFS securities unquoted in Malaysia	147	264	647	776
	16,225	23,300	63,722	51,715
<u>Other income</u>				
Foreign exchange gain, net	37,808	40,667	111,550	137,849
Rental income from operating leases	33	108	244	324
(Loss)/Gain on disposal of property, plant and equipment	(6)	-	1,215	(4)
Loss on liquidation of subsidiary	(11)	-	(11)	-
Others	3,545	4,204	10,311	10,705
	41,369	44,979	123,309	148,874
	215,127	228,800	640,963	635,141

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

	Third Quarter		Nine Months	
	Ended		Ended	
Bank	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	72,728	61,605	211,918	168,678
Guarantee fees	19,689	25,932	59,048	69,297
Service charges and fees	57,792	62,022	159,350	164,053
Commitment fees	7,394	7,217	22,439	22,208
Arrangement and participation fees	10	3,810	1,391	10,514
	157,613	160,586	454,146	434,750
<u>Trading and Investment income</u>				
(Loss)/Gain from sale of financial assets at FVTPL	(3,542)	9,746	(1,357)	18,067
Unrealised gain on financial assets at FVTPL	1,721	545	264	305
Gain/(Loss) from trading derivatives	8,152	1,550	40,119	(6,747)
Unrealised gain from trading derivatives	5,801	2,224	16,502	19,281
Unrealised gain/(loss) on fair value hedge	35	(2,158)	(685)	(9,918)
Gain from sale of precious metal	652	1,196	919	948
Unrealised (loss)/gain from sale of precious metal	(8)	26	24	(10)
Gain from sale/recovery of AFS securities	3,267	9,907	7,289	29,013
Gross dividends from:				
- AFS securities unquoted in Malaysia	147	264	647	776
- an associate	-	-	1,921	-
	16,225	23,300	65,643	51,715

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EXPLANATORY NOTES

25. OTHER OPERATING INCOME (cont'd.)

	Third Quarter		Nine Months	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
Bank (cont'd.)	RM'000	RM'000	RM'000	RM'000
<u>Other income</u>				
Foreign exchange gain, net	37,808	40,667	111,550	137,849
(Loss)/Gain on disposal of property, plant and equipment	(6)	-	1,215	(4)
(Loss)/Gain on liquidation of subsidiary	(11)	-	(11)	144
Others	3,545	4,205	10,307	10,717
	41,336	44,872	123,061	148,706
	215,174	228,758	642,850	635,171

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26. OTHER OPERATING EXPENSES

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
Personnel expenses	179,911	169,316	518,168	499,110
Establishment related expenses	56,979	57,584	176,104	166,197
Promotion and marketing related expenses	9,729	7,523	28,870	27,766
General administrative expenses	32,431	31,108	94,075	95,123
	279,050	265,531	817,217	788,196
<u>Personnel expenses</u>				
Wages, salaries and bonus	139,356	137,317	409,093	397,831
Defined contribution plan	22,183	21,769	64,677	62,798
Other employee benefits	18,372	10,230	44,398	38,481
	179,911	169,316	518,168	499,110
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	14,049	12,900	41,894	40,249
Information technology costs	11,768	18,014	45,379	44,383
Repair and maintenance	8,043	4,614	20,712	14,988
Rental of premises	3,779	3,655	11,405	11,262
Others	19,340	18,401	56,714	55,315
	56,979	57,584	176,104	166,197
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	9,729	7,523	28,870	27,766
<u>General administrative expenses</u>				
Fees and commissions paid	13,224	12,726	34,806	33,805
Others	19,207	18,382	59,269	61,318
	32,431	31,108	94,075	95,123

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EXPLANATORY NOTES

26. OTHER OPERATING EXPENSES (cont'd.)

	Third Quarter		Nine Months	
	Ended		Ended	
Bank	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	178,899	168,429	515,243	496,307
Establishment related expenses	60,339	60,818	185,793	175,028
Promotion and marketing related expenses	9,721	7,515	28,834	27,740
General administrative expenses	32,276	31,068	93,849	95,033
	281,235	267,830	823,719	794,108
<u>Personnel expenses</u>				
Wages, salaries and bonus	138,530	136,579	406,690	395,502
Defined contribution plan	22,065	21,665	64,332	62,460
Other employee benefits	18,304	10,185	44,221	38,345
	178,899	168,429	515,243	496,307
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	11,952	10,895	35,612	33,163
Information technology costs	11,768	18,014	45,379	44,383
Repair and maintenance	7,825	4,333	19,999	14,287
Rental of premises	8,545	8,408	25,702	25,478
Others	20,249	19,168	59,101	57,717
	60,339	60,818	185,793	175,028
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	9,721	7,515	28,834	27,740
<u>General administrative expenses</u>				
Fees and commissions paid	13,253	12,710	34,775	33,752
Others	19,023	18,358	59,074	61,281
	32,276	31,068	93,849	95,033

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EXPLANATORY NOTES

27. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

Group	Third Quarter		Nine Months	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans, advances and financing				
(a) Individual impairment				
- made in the period	83,445	44,309	201,408	155,872
- written back in the period	(39,705)	(26,165)	(98,995)	(64,591)
(b) Collective impairment				
- made in the period	48,312	51,646	104,514	125,066
Impaired loans, advances and financing				
- written-off	5,200	1,433	18,009	2,959
- recovered	(11,915)	(9,331)	(35,974)	(30,250)
	85,337	61,892	188,962	189,056
Bank				
Allowance for impaired loans, advances and financing				
(a) Individual impairment				
- made in the period	83,445	44,309	201,408	155,872
- written back in the period	(39,705)	(26,165)	(98,995)	(64,591)
(b) Collective impairment				
- made in the period	47,911	53,231	104,064	126,651
Impaired loans, advances and financing				
- written-off	5,200	1,433	18,009	2,959
- recovered	(11,915)	(9,331)	(35,974)	(30,250)
	84,936	63,477	188,512	190,641

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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 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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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
For period ended 30 September 2017							
Operating income	1,062,807	817,885	128,385	196,922	2,205,999	(22,219)	2,183,780
Other operating expenses	(545,249)	(159,046)	(38,267)	(92,868)	(835,430)	18,213	(817,217)
Allowance for impairment on loans, advances and financing	(72,246)	(116,305)	42	(3)	(188,512)	(450)	(188,962)
Provision for commitments and contingencies-net	-	2,616	-	-	2,616	-	2,616
Share of net profit of an associate	-	-	-	167	167	-	167
Profit before taxation	445,312	545,150	90,160	104,218	1,184,840	(4,456)	1,180,384
Income tax expense							(280,693)
							<u>899,691</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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Other information

For period ended 30 September 2017

Inter-segment operating income	125,914	179,402	(516,166)	233,069	22,219	(22,219)	-
Depreciation of property, plant and equipment	5,938	1,906	1,571	32,417	41,832	62	41,894

As at 30 September 2017

Gross loans, advances and financing	50,178,102	27,707,984	-	319,623	78,205,709	(114,138)	78,091,571
Deposits from customers	54,458,626	29,278,836	3,608	141,152	83,882,222	(34,407)	83,847,815

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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
For period ended 30 September 2016							
Operating income	971,300	800,950	150,495	173,715	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, advances and financing	(41,014)	(149,613)	-	(14)	(190,641)	1,585	(189,056)
Write back of commitments and contingencies-net	-	5,337	-	-	5,337	-	5,337
Share of net profit of an associate	-	-	-	179	179	-	179
Profit before taxation	<u>408,224</u>	<u>498,030</u>	<u>113,696</u>	<u>85,212</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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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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Other information

For period ended 30 September 2016

Inter-segment operating income	50,062	220,336	(456,145)	206,176	20,429	(20,429)	-
Depreciation of property, plant and equipment	6,489	1,125	1,698	30,937	40,249	-	40,249

As at 31 December 2016

Gross loans, advances and financing	48,707,972	28,874,754	-	406,119	77,988,845	(181,576)	77,807,269
Deposits from customers	53,073,596	28,973,440	3,301	138,260	82,188,597	(3,921)	82,184,676

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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.

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	792,555	470,000	792,555	470,000
Share premium	-	322,555	-	322,555
Retained profits	7,116,794	7,032,664	7,181,249	7,097,119
Statutory reserve	-	470,000	-	470,000
Other reserves	280,051	218,817	111,360	50,127
Regulatory adjustments applied in the calculation of CET1 Capital	(309,018)	(267,904)	(245,158)	(118,238)
Total CET1/Tier 1 Capital	7,880,381	8,246,132	7,840,006	8,291,563
<u>Tier 2 Capital</u>				
Tier 2 capital instruments	1,500,000	1,500,000	1,500,000	1,500,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	277,562	277,107	278,265	277,107
- Collective impairment provisions	24,650	26,357	20,942	22,621
Regulatory adjustments applied in the calculation of Tier 2 Capital	70,773	68,111	(23,712)	(5,425)
Total Tier 2 Capital	1,872,985	1,871,575	1,775,495	1,794,303
Total Capital	9,753,367	10,117,707	9,615,501	10,085,866

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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-17	31-Dec-16	30-Sep-17	31-Dec-16
CET1/Tier 1 Capital	14.515%	15.205%	14.485%	15.371%
Total Capital	17.964%	18.656%	17.766%	18.698%

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

	Group		Bank	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	48,232,345	48,293,056	48,052,910	47,994,189
Total RWA for market risk	888,340	967,178	888,340	967,178
Total RWA for operational risk	5,171,996	4,972,669	5,182,996	4,980,184
	54,292,681	54,232,903	54,124,246	53,941,551

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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 its customers. No material losses are anticipated as a result of these transactions.

	Group and Bank		Risk weighted amount RM'000
	Principal amount RM'000	Credit equivalent amount RM'000	
As at 30 September 2017			
Direct credit substitutes	3,237,884	3,194,531	2,299,852
Transaction-related contingent items	5,858,825	2,943,508	2,072,849
Short-term self-liquidating trade-related contingencies	447,926	99,544	58,132
Foreign exchange related contracts			
- less than one year	22,817,786	475,663	143,507
- more than one year to less than five years	233,496	13,981	13,574
Interest rate related contracts			
- less than one year	7,246,257	97,578	45,633
- more than one year to less than five years	15,926,214	787,636	479,226
- five years and above	58,441	4,285	2,294
Equity related contracts			
- less than one year	573,990	25,971	21,268
- more than one year to less than five years	994,180	40,579	8,148
Precious metal contracts			
- less than one year	10,694	53	-
Commodity related contracts			
- less than one year	227,105	15,217	9,516
- more than one year to less than five years	685,120	72,987	29,947
Undrawn credit facility			
- less than one year	14,326,160	682,635	136,689
- more than one year	11,451,999	6,389,370	3,828,032
- unconditionally cancellable	11,524,049	5,882,089	654,441
Total	95,620,126	20,725,627	9,803,108

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

As at 31 December 2016	Group and Bank		Risk weighted amount RM'000
	Principal amount RM'000	Credit equivalent amount RM'000	
Direct credit substitutes	2,963,581	2,963,581	2,350,193
Transaction-related contingent items	5,751,113	2,907,914	2,029,319
Short-term self-liquidating trade-related contingencies	476,394	107,718	69,745
Foreign exchange related contracts			
- less than one year	16,559,657	627,679	262,095
- more than one year to less than five years	319,406	31,832	30,636
Interest rate related contracts			
- less than one year	8,070,548	136,859	55,150
- more than one year to less than five years	14,451,820	649,760	368,703
- five years and above	1,475,311	78,508	55,388
Equity related contracts			
- less than one year	383,707	16,572	9,803
- more than one year to less than five years	483,193	19,514	4,517
Commodity related contracts			
- less than one year	376,522	50,456	25,529
- more than one year to less than five years	200,000	24,000	12,000
Undrawn credit facility			
- less than one year	13,374,793	809,243	210,181
- more than one year	12,384,483	6,857,557	4,195,239
- unconditionally cancellable	11,139,281	5,384,369	632,007
Total	88,409,809	20,665,562	10,310,505

Disclosure of the principal amount and credit equivalent of the commitments and contingencies are as per BNM's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

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EXPLANATORY NOTES

31. PERFORMANCE REVIEW

The Group recorded a profit before taxation of RM1,180.4 million for the nine months ended 30 September 2017, an increase of 6.9% or RM76.1 million over corresponding period last year. The increase in profit is mainly from higher net interest income, higher net income from Islamic Banking operations and higher operating income, partially offset by higher other operating expenses.

Net interest income increased 6.1% or RM88.3 million to RM1,527.4 million driven by higher interest income from customer loans, advances and financing coupled with interest income from available-for-sale securities, partially offset by higher interest expenses from customer deposits and net placements of financial institutions.

Other operating income grew 0.9% or RM5.8 million to RM641.0 million mainly due to increase in fee income; and trading and investment income, partly offset by lower foreign exchange gain. Net income from Islamic Banking business recorded at RM15.4 million.

Expenses increased by 3.7% or RM29.0 million to RM817.2 million primarily due to higher staff expenses and establishment related expenses as we continued to invest in our people, technology and infrastructure to enhance our capabilities. We maintained discipline in cost management and our cost to income ratio improved to 37.4%, compared to the previous year of 38.0%.

Allowance for impairment on loans, advances and financing remained relatively flat at RM189.0 million as collective impairment decreased by RM20.6 million, offset by higher individual impairment of RM20.5 million. Net non-performing loans ratio stood at 1.5%.

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EXPLANATORY NOTES

32. PROSPECTS FOR 2017

Global economy continues to strengthen and global trade has picked up. There are broader signs of improvement across developed economies and with ongoing strength in Asia will sustain momentum in global growth. Nevertheless, downside risks prevail from global political and policy developments as well as geopolitical risks.

In line with the improving global outlook, Malaysia's economy expanded 5.7% year-on-year in first half of 2017. Real GDP growth has sustained an uptrend over four straight quarters on the back of stronger domestic demand and external trade. Private consumption has proven more resilient than expected due to improving income, labor conditions, tourism flows, higher commodity prices and a cautious rise in consumer sentiment. Consumer spending has also been cushioned by government support in the form of BR1M cash aid, reduction in EPF contribution rates and tax incentives. Business sentiment improved further in second quarter amid strengthened export orders, production activity, liberalisation of currency measures, and stronger Ringgit. Private investments expanded further alongside sustained inflows of foreign direct investments, capacity expansions, and infrastructure upgrades. With stronger revenue buffers, private sector domestic demand remains a key driver of overall growth.

Bank Negara Malaysia (BNM) continues to keep the Overnight Policy Rate (OPR) unchanged and signaled that the current level of interest rate is appropriate based on present economic conditions. Generally all key sectors are expected to expand this year aided by the strength in exports, infrastructure projects, fiscal support measures, and accommodative monetary policy.

Amid the growing economy, we continue to place high importance in keeping a resilient balance sheet, to invest and enhance technology as well as infrastructure capabilities for better customer engagement and to deliver sustainable long term growth for our shareholders.

The Group is expected to achieve satisfactory set of result in 2017.

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33. ISLAMIC BANKING OPERATIONS

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

	Notes	30-Sep-17 RM'000	31-Dec-16 RM'000
Assets			
Cash and short-term funds	a	582,738	763,688
Available-for-sale ("AFS") securities	b	30,108	29,889
Financing, advances and others	c	423,694	104,635
Other assets	d	863	769
Plant and equipment		75	87
Deferred tax assets		55	175
Total assets		1,037,533	899,243
Liabilities and Islamic banking funds			
Deposits from customers	e	566,493	447,100
Deposits and placements of banks and other financial institutions	f	15,058	220
Bills and acceptances payables		40	-
Other liabilities	g	5,524	2,675
Tax Payable		-	7
Total liabilities		587,115	450,002
Capital fund		450,000	450,000
Reserves		418	(759)
Islamic Banking funds	h	450,418	449,241
Total liabilities and Islamic Banking funds		1,037,533	899,243
Commitments and contingencies	o	432,983	1,071

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 2016.

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33. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

		14-Jul-16 to 31-Dec-16
	Note	RM'000
Income derived from depositors' funds	i	2,285
Income derived from investment of Islamic Banking funds	j	5,116
Allowance for impairment on financing, advance and others	k	(80)
Total attributable income		<u>7,321</u>
Income attributable to depositors	l	(2,476)
Total net income		<u>4,845</u>
Other operating expenses	m	(5,308)
Profit/(Loss) before taxation		<u>989</u>
Income tax (expenses)/income		<u>57</u>
Profit/(Loss) after taxation		<u><u>(406)</u></u>
Other comprehensive income/(loss):		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net gain /(loss) on revaluation of AFS securities		(464)
Income tax effect		111
Total other comprehensive income/(loss) for the period, net of tax		<u><u>(353)</u></u>
Total comprehensive income/(loss) for the period		<u><u>1,177</u></u>

Islamic Banking Window started its operation on 14 July 2016, hence, there are no comparative figures for the preceding year comparative period.

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 2016.

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33. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	Capital fund RM'000	Net unrealised reserves on AFS securities RM'000	Accumulated gain/ (losses) RM'000	Total RM'000
2017				
Balance as at 1 January 2016	450,000	(353)	(406)	449,241
Profit for the period	-	-	948	948
Other comprehensive income	-	229	-	229
Total comprehensive income	-	229	948	1,177
Balance as at 30 September 2017	450,000	(124)	542	450,418

	Capital fund RM'000	Net unrealised reserves on AFS securities RM'000	Accumulated losses RM'000	Total RM'000
2016				
Balance as at 14 July 2016	200,000	-	-	200,000
Loss for the period	-	-	(406)	(406)
Other comprehensive loss	-	(353)	-	(353)
Total comprehensive loss	-	(353)	(406)	(759)
Capital reallocation from conventional banking	250,000	-	-	250,000
Balance as at 31 December 2016	450,000	(353)	(406)	449,241

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 2016.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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33. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	30-Sep-17	14-Jul-16 to 31-Dec-16
	RM'000	RM'000
Profit/(Loss) before taxation	989	(463)
Adjustments for non-operating and non-cash items	2,380	(900)
Operating profit /(loss) before working capital changes	3,369	(1,363)
Changes in working capital:		
Net changes in operating assets	(322,859)	(105,484)
Net changes in operating liabilities	137,120	449,995
Net cash (used in)/generated from operating activities	(182,370)	343,148
Net cash generated/(used in) from investing activities	1,420	(29,460)
Net cash generated from financing activities	-	450,000
Net (decrease)/increase in cash and cash equivalents	(180,950)	763,688
Cash and cash equivalents at beginning of the period	763,688	-
Cash and cash equivalents at end of the period	582,738	763,688
Analysis of cash and cash equivalents		
Cash and short term funds	582,738	763,668

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 2016.

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UNITED OVERSEAS BANK (MALAYSIA) BHD

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33. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

a. Cash and short-term funds

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Cash and balances with banks and other financial institutions	16,118	4,688
Money at call and deposit placements maturing within one month	566,620	759,000
	<u>582,738</u>	<u>763,688</u>

b. Available-for-sale ("AFS") securities

	30-Sep-17	31-Dec-16
	RM'000	RM'000
At fair value		
Money market instruments		
Government Islamic investment	30,108	29,889
Total AFS securities	<u>30,108</u>	<u>29,889</u>

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

33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

c. Financing, advances and others

(i) Financing by type of Shariah contract:

	30-Sep-17	31-Dec-16
	RM'000	RM'000

Tawarruq

Term financing and revolving credits

- Housing financing	1,289,505	4,540
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- Others term financing	730,780	131,624
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Claim on customers under acceptance credits	7,873	-
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	2,028,158	136,164
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Unearned income	(1,600,678)	(31,449)
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Gross financing, advances and others	427,480	104,715
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Allowance for losses on financing,

advances and others

- Collective impairment	(3,786)	(80)
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Net financing, advances and others	423,694	104,635
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(ii) Gross financing, advances and others by maturity structure:

	30-Sep-17	31-Dec-16
	RM'000	RM'000

Maturing within one year	68,349	100,062
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One year to three years	3,083	-
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Three years to five years	55,072	-
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Over five years	300,976	4,653
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	427,480	104,715
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(iii) Gross financing, advances and others by type of customers:

	30-Sep-17	31-Dec-16
	RM'000	RM'000

Domestic business enterprises

- Small medium enterprises	195,365	4,270
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- Others	74,514	100,062
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Individuals	146,358	383
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Foreign entities	11,243	-
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	427,480	104,715
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UNITED OVERSEAS BANK (MALAYSIA) BHD
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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

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

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

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Fixed rate		
- Other fixed rate financing	7,872	-
Variable rates:		
- Base rate/base financing rate-plus	316,675	4,653
- Cost-plus	102,933	100,062
	427,480	104,715

(v) Gross financing, advances and others by economic sectors:

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Manufacturing	59,863	-
Construction	28,157	104,332
Wholesale, retail trade, restaurants and hotels	87,303	-
Transport, storage and communication	21,957	-
Finance, insurance and business services	47,341	-
Real estate	22,958	-
Community, social and personal services	2,298	-
Households		
- purchase of residential properties	136,613	383
- purchase of non residential properties	9,247	-
- others	11,743	-
	427,480	104,715

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UNITED OVERSEAS BANK (MALAYSIA) BHD
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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

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

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

	30-Sep-17	31-Dec-16
	RM'000	RM'000
<u>Collective impairment</u>		
Balance as at 1 January	80	-
Impairment loss made during the period	3,706	80
Balance as at 30 September/31 December	3,786	80

d. Other assets

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Other receivables, deposits and prepayments	10	-
Profit receivables	853	769
	863	769

e. Deposits from customers

(i) By type of deposits:

	30-Sep-17	31-Dec-16
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	54,479	9,956
Savings deposits		
- Qard	6,974	1,970
Fixed deposits		
- Tawarruq	504,790	325,334
Other deposits		
- Tawarruq	250	109,840
	566,493	447,100

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UNITED OVERSEAS BANK (MALAYSIA) BHD
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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

e. Deposits from customers (cont'd.)

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

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Due within six months	440,446	215,700
Six months to one year	64,344	109,634
	504,790	325,334

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

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Business enterprises	421,940	292,980
Individuals	74,504	37,690
Others	70,049	116,430
	566,493	447,100

f. Deposits and placements of banks and other financial institutions

	30-Sep-17	31-Dec-16
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Licensed banks in Malaysia	10,190	-
Other financial institutions	4,868	220
	15,058	220

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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

g. Other liabilities

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Accrued profit payable	4,677	2,064
Accruals and provisions for operational expenses	844	611
Other payables and accruals	3	-
	<u>5,524</u>	<u>2,675</u>

h. Islamic Banking funds

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Capital fund	450,000	450,000
Net unrealised reserves on AFS securities	(124)	(353)
Accumulated gain /(losses)	542	(406)
	<u>450,418</u>	<u>449,241</u>

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UNITED OVERSEAS BANK (MALAYSIA) BHD
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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

i. Income derived from depositors' funds

	YTD 30/9/2017 RM'000	14-Jul-16 to 31-Dec-16 RM'000
<u>Finance income and hibah</u>		
Financing, advances and others	6,846	72
Money at call and deposit placements with financial institutions	7,846	2,213
	14,692	2,285

j. Income derived from investment of Islamic Banking funds

	YTD 30/9/2017 RM'000	14-Jul-16 to 31-Dec-16 RM'000
<u>Finance income and hibah</u>		
Financing, advances and others	1,857	1
Money at call and deposit placements with financial institutions	7,330	4,117
AFS securities	688	944
	9,875	5,062
<u>Other operating income</u>		
Trading income	650	40
Commision income	1,020	-
Fee income	1,001	14
Others	4	-
	12,550	5,116

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UNITED OVERSEAS BANK (MALAYSIA) BHD

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33. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

k. Allowance for impairment on financing, advances and others

	YTD 30/9/2017 RM'000	14-Jul-16 to 31-Dec-16 RM'000
Allowance for impairment on financing, advances and others		
Collective impairment		
- made during the period	3,706	80

l. Income attributable to depositors

	YTD 30/9/2017 RM'000	14-Jul-16 to 31-Dec-16 RM'000
Income attributable to depositors from non-mudharabah fund	11,815	2,476

m. Other operating expenses

	YTD 30/9/2017 RM'000	14-Jul-16 to 31-Dec-16 RM'000
Personnel expenses	1,189	609
Establishment related expenses	153	44
Promotion and marketing related expenses	2	89
General administrative expenses	9,388	4,566
	10,732	5,308
<u>Personnel expenses</u>		
- Wages, salaries and bonus	814	498
- Defined contribution plan	163	83
- Other employee benefits	212	28
	1,189	609

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UNITED OVERSEAS BANK (MALAYSIA) BHD
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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

m. Other operating expenses (cont'd.)

	YTD	14-Jul-16
	30/9/2017	to
	RM'000	31-Dec-16
		RM'000
<u>Establishment related expenses</u>		
- Depreciation of property, plant and equipment	12	4
- Repair and maintenance	5	19
- Rental of premises	9	6
- Others	127	15
	<u>153</u>	<u>44</u>
<u>Promotion and marketing related expenses</u>		
- Advertisement and publicity	<u>2</u>	<u>89</u>
<u>General administrative expenses</u>		
- Fees and commissions paid	211	244
- Management fee	9,045	4,079
- Others	132	243
	<u>9,388</u>	<u>4,566</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD
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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

n. Capital management and capital adequacy

The capital adequacy ratios of Islamic Banking window are computed in accordance with Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banking (Capital Components) and Basel II - Risk-weighted Assets Framework for Islamic Banking.

	30-Sep-17	31-Dec-16
	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
As at 30 September 2017	450,000	450,000
Accumulated losses	(406)	(406)
Other reserves	(124)	(353)
Regulatory adjustments applied in the calculation of CET1 Capital	(389)	(175)
Total CET1/Tier 1 Capital	449,081	449,066
<u>Tier 2 Capital</u>		
Financing loss provision		
- Collective impairment provisions	2	-
Total Tier 2 Capital	2	-
Total Capital	449,083	449,066

(a) The capital adequacy ratios are as follows:

	30-Sep-17	31-Dec-16
CET1/Tier 1 Capital	148.144%	427.722%
Total Capital	148.144%	427.722%

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

	30-Sep-17	31-Dec-16
	RM'000	RM'000
Total RWA for credit risk	284,107	95,851
Total RWA for market risk	-	-
Total RWA for operational risk	19,032	9,139
	303,139	104,990

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33. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

o. Commitments and contingencies

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 30 September 2017			
Direct credit substitutes	2,000	2,000	520
Transaction-related contingent items	1,456	728	296
Undrawn credit facility			
- less than one year	96,459	750	838
- more than one year	333,068	207,735	64,816
Total	<u>432,983</u>	<u>211,213</u>	<u>66,470</u>

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2016			
Undrawn credit facility			
- more than one year	1,071	718	152
	<u>1,071</u>	<u>718</u>	<u>152</u>