

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 JUNE 2019

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	Group		Bank	
		30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
ASSETS					
Cash and short-term funds	11	4,473,143	3,924,715	4,473,143	3,924,715
Deposits and placements with financial institutions	12	-	800,000	-	800,000
Securities purchased under resale agreements		884,640	4,603,059	884,640	4,603,059
Financial assets at fair value through profit or loss ("FVTPL")	13	4,088,972	1,811,633	4,088,972	1,811,633
Debt instruments at fair value through other comprehensive income ("FVOCI")	14	18,889,502	15,852,301	18,889,502	15,852,301
Equity instruments at fair value through other comprehensive income ("FVOCI")	15	133,333	114,445	133,333	114,445
Debt Instruments at amortised cost	16	222,065	228,315	222,065	228,315
Loans, advances and financing	17	81,878,784	81,913,278	81,996,581	82,034,675
Derivative financial assets	18	416,759	376,496	416,759	376,496
Other assets	19	657,045	651,888	661,334	652,099
Statutory deposits with Bank Negara Malaysia		2,165,884	2,016,869	2,165,884	2,016,869
Investment in subsidiaries		-	-	235,020	185,020
Investment in an associate		10,206	10,087	13,522	13,522
Property, plant and equipment		713,644	699,459	271,722	266,727
Right-of-use assets		24,474	-	74,615	-
Deferred tax assets		40,742	102,838	40,742	102,838
TOTAL ASSETS		114,599,193	113,105,383	114,567,834	112,982,714
LIABILITIES					
Deposits from customers	20	90,641,804	88,733,098	90,703,537	88,755,027
Deposits and placements of banks and other financial institutions	21	9,082,331	9,214,438	9,082,351	9,214,458
Bills and acceptances payable		268,403	414,255	268,403	414,255
Derivative financial liabilities	18	329,395	399,947	329,395	399,947
Other liabilities	22	2,307,117	2,548,407	2,308,968	2,546,618
Lease liabilities		22,546	-	70,194	-
Tax payable		23,614	62,140	23,154	60,908
Subordinated bonds	23	1,611,992	1,602,082	1,611,992	1,602,082
Deferred tax liabilities		20,559	20,559	-	-
TOTAL LIABILITIES		104,307,761	102,994,926	104,397,994	102,993,295

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)

AS AT 30 JUNE 2019

		Group		Bank	
	Notes	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
		RM'000	RM'000	RM'000	RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		792,555	792,555	792,555	792,555
Reserves		9,498,877	9,317,902	9,377,285	9,196,864
TOTAL EQUITY		10,291,432	10,110,457	10,169,840	9,989,419
TOTAL LIABILITIES AND EQUITY		114,599,193	113,105,383	114,567,834	112,982,714
COMMITMENTS AND CONTINGENCIES					
	33	109,417,606	101,959,153	109,060,859	101,588,370

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 2018.

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Group	Note	Second Quarter Ended		Six Months Ended	
		30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Operating revenue	25	1,553,644	1,466,766	3,084,759	2,900,184
Interest income	26	1,267,368	1,242,745	2,538,788	2,422,308
Interest expense	27	(768,377)	(732,653)	(1,530,571)	(1,414,788)
Net interest income		498,991	510,092	1,008,217	1,007,520
Net income from Islamic					
Banking operations	37	9,776	9,373	18,595	18,230
Other operating income	28	230,411	201,871	439,815	440,679
Operating income		739,178	721,336	1,466,627	1,466,429
Other operating expenses	29	(310,882)	(277,786)	(598,938)	(551,334)
Operating profit before allowance for expected credit losses		428,296	443,550	867,689	915,095
(Allowance for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(73,499)	(41,807)	(92,006)	(66,447)
Other financial assets	30	(6,969)	4,948	(15,392)	174
Commitments and contingencies	30	(2,478)	933	32,594	(9,115)
		345,350	407,624	792,885	839,707
Share of net profit of an associate		61	58	119	112
Profit before taxation		345,411	407,682	793,004	839,819
Income tax expense		(85,427)	(98,379)	(194,452)	(205,444)
Profit for the period attributable to equity holders of the Bank		259,984	309,303	598,552	634,375
Basic/diluted earnings per share (sen)		55.3	65.8	127.4	135.0

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 2018.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

Bank	Note	Second Quarter Ended		Six Months Ended	
		30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Operating revenue	25	1,555,062	1,468,175	3,087,641	2,902,845
Interest income	26	1,268,724	1,244,111	2,541,545	2,424,887
Interest expense	27	(769,026)	(732,661)	(1,531,796)	(1,414,823)
Net interest income		499,698	511,450	1,009,749	1,010,064
Net income from Islamic					
Banking operations	37	9,776	9,373	18,595	18,230
Other operating income	28	230,473	201,914	439,940	440,761
Operating income		739,947	722,737	1,468,284	1,469,055
Other operating expenses	29	(312,752)	(280,130)	(601,861)	(555,591)
Operating profit before allowance for expected credit losses		427,195	442,607	866,423	913,464
(Allowance for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(73,581)	(41,835)	(92,078)	(66,703)
Other financial assets	30	(6,969)	4,948	(15,392)	174
Commitments and contingencies	30	(2,478)	933	32,594	(9,115)
Profit before taxation		344,167	406,653	791,547	837,820
Income tax expense		(84,916)	(97,984)	(193,549)	(204,689)
Profit for the period attributable to equity holders of the Bank		259,251	308,669	597,998	633,131
Basic/diluted earnings per share (sen)		55.2	65.7	127.2	134.7

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 2018.

Company No. 271809K

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Profit for the period	259,984	309,303	598,552	634,375
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	12,311	(41,263)	82,865	(18,302)
Income tax effect	(2,955)	9,903	(19,888)	4,392
	9,356	(31,360)	62,977	(13,910)
<u>Items that will not be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	18,694	(26,915)	18,889	(27,155)
Income tax effect	(4,486)	6,460	(4,533)	6,518
	14,208	(20,455)	14,356	(20,637)
Total other comprehensive income for the period, net of tax	23,564	(51,815)	77,333	(34,547)
Total comprehensive income for the period attributable to equity holders	283,548	257,488	675,885	599,828

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 2018.

Company No. 271809K

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Second Quarter		Six Months	
	Ended		Ended	
Bank	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Profit for the period	259,251	308,669	597,998	633,131
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	12,311	(41,263)	82,865	(18,302)
Income tax effect	(2,955)	9,903	(19,888)	4,392
	9,356	(31,360)	62,977	(13,910)
<u>Items that will not be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	18,694	(26,915)	18,889	(27,155)
Income tax effect	(4,486)	6,460	(4,533)	6,518
	14,208	(20,455)	14,356	(20,637)
Total other comprehensive income for the period, net of tax	23,564	(51,815)	77,333	(34,547)
Total comprehensive income for the period attributable to equity holders	282,815	256,854	675,331	598,584

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 2018.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

GROUP

	← Non-distributable		Distributable		Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Balance as at 1 January 2019	792,555	190,019	92,712	9,035,171	10,110,457
Profit for the period	-	-	-	598,552	598,552
Other comprehensive income for the period	-	-	77,333	-	77,333
Total comprehensive income for the period	-	-	77,333	598,552	675,885
Dividends paid:					
final dividend for the financial year ended 31 December 2018				(494,910)	(494,910)
Balance as at 30 June 2019	792,555	190,019	170,045	9,138,813	10,291,432

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 2018.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

GROUP (cont'd.)	← Non-distributable			Distributable		Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Net unrealised reserves on AFS securities	Retained profits	
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018						
As previously stated	792,555	146,736	-	101,037	8,261,176	9,301,504
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	101,037	(101,037)	-	-
Balance as at 1 January 2018, as restated	792,555	146,736	101,037	-	8,261,176	9,301,504
Profit for the period	-	-	-	-	634,375	634,375
Other comprehensive income for the period	-	-	(34,547)	-	-	(34,547)
Total comprehensive income for the period	-	-	(34,547)	-	634,375	599,828
Transactions with owners:						
Dividends paid:						
- final dividend for the financial year ended 31 December 2017					(461,540)	(461,540)
Balance as at 30 June 2018	792,555	146,736	66,490	-	8,434,011	9,439,792

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 2018.

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

BANK	← Non-distributable →		Distributable	
	Share capital	Fair value through other comprehensive income reserve	Retained profits	Total
2019	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	792,555	85,810	9,111,054	9,989,419
Profit for the period	-	-	597,998	597,998
Other comprehensive income for the period	-	77,333	-	77,333
Total comprehensive income for the period	-	77,333	597,998	675,331
Dividends paid:				
final dividend for the financial year ended 31 December 2018	-	-	(494,910)	(494,910)
Balance as at 30 June 2019	792,555	163,143	9,214,142	10,169,840

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 2018.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

BANK (cont'd.)	← Non-distributable		Distributable		Total
	Share capital	Fair value through other comprehensive income reserve	Net unrealised reserves on AFS securities	Retained profits	
2018	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018					
As previously stated	792,555	-	94,135	8,335,026	9,221,716
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	94,135	(94,135)	-	-
Balance as at 1 January 2018, as restated	792,555	94,135	-	8,335,026	9,221,716
Profit for the period	-	-	-	633,131	633,131
Other comprehensive income for the period	-	(34,547)	-	-	(34,547)
Total comprehensive income for the period	-	(34,547)	-	633,131	598,584
Transactions with owners:					
- final dividend for the financial year ended 31 December 2017				(461,540)	(461,540)
Balance as at 30 June 2018	792,555	59,588	-	8,506,617	9,358,760

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 2018.

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Group		Bank	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	793,004	839,819	791,547	837,820
Adjustments for non-operating and non-cash items	(242,425)	(78,434)	(233,899)	(160,616)
Operating profit before working capital changes	550,579	761,385	557,648	677,204
Changes in working capital:				
Net changes in operating assets	1,109,306	(6,290,123)	1,044,588	(6,217,318)
Net changes in operating liabilities	1,455,491	8,342,407	1,546,584	8,330,992
Tax expense paid	(195,304)	(161,214)	(193,627)	(160,737)
Net cash generated from operating activities	2,920,072	2,652,455	2,955,193	2,630,141
Net cash (used in) investing activities	(2,686,644)	(5,183,390)	(2,721,765)	(5,161,076)
Net cash (used in) financing activities	(485,000)	(462,389)	(485,000)	(462,389)
Net (decrease) in cash and cash equivalents	(251,572)	(2,993,324)	(251,572)	(2,993,324)
Cash and cash equivalents at beginning of the period	4,724,715	8,588,916	4,724,715	8,588,916
Cash and cash equivalents at end of the period	4,473,143	5,595,592	4,473,143	5,595,592
Analysis of cash and cash equivalents				
Cash and short-term funds	4,473,143	4,345,592	4,473,143	4,345,592
Deposits and placements with financial institutions	-	1,250,000	-	1,250,000
	4,473,143	5,595,592	4,473,143	5,595,592

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 2018.

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 of the Bank for the financial year ended 31 December 2018. The explanatory notes attached to the unaudited 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 of the Bank since the financial year ended 31 December 2018.

The significant accounting policies and methods 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 2018, except for the adoption of the following MFRS, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretation, which are only applicable for financial periods beginning on or after 1 January 2019:

MFRS 16 Leases

Amendments to MFRS 9 Prepayment Features with Negative Compensation

Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures

Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement

Annual Improvements to MFRS Standards 2015-2017 Cycle

IC Interpretation 23 Uncertainty over Income Tax Treatments

The adoption of the above MFRS, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretation did not have any material impact on the financial statements of the Group and of the Bank. The Group and the Bank have adopted the new MFRS 16 as described below:

MFRS 16

MFRS 16 *Leases* supersedes MFRS 117 *Leases* and its related interpretations. Under MFRS 16 *Leases*, a lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for lessee and eliminated the classification of leases by the lessee as either financial lease (on balance sheet) or operating lease (off balance sheet). Lessee is required to recognise a liability to make lease payment and an asset representing the right-to-use the underlying asset during the lease term. For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or financial leases and to account for these two types of leases differently.

The Group and the Bank transitioned to MFRS 16 in accordance with the modified retrospective approach, whereby prior-year figures were not restated, but instead shall recognise the cumulative effect of initial application of this standard as an adjustment to opening retained earning. The Group and the Bank have also elected to apply exemption for leases expiring within 12 months of the date of initial application, as short term leases. The lease payments are recognised as an expenses on a straight line basis over the remaining lease term during the current financial period.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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EXPLANATORY NOTES

1. BASIS OF PREPARATION (cont'd.)

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3 Definition of a Business

Amendments to MFRS 101 Definition of Material

Amendments to MFRS 108 Definition of Material

Effective for financial periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

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

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 of the Bank.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The business operations of the Group and of 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 of the Bank for the financial period ended 30 June 2019.

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 of the Bank for the financial period ended 30 June 2019.

6. DEBT AND EQUITY SECURITIES

There were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Group and the Bank during the financial period ended 30 June 2019.

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 2018.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

8. DIVIDENDS

A final single-tier dividend of 105.3 sen in respect of the financial year ended 31 December 2018 amounting to RM 494,910,000 was paid in May 2019.

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 June 2019.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
Cash and balances with banks and other financial institutions	2,783,387	476,049
Money at call and deposit placements maturing within one month	1,716,177	3,475,787
	4,499,564	3,951,836
Less: Allowance for ECL	(26,421)	(27,121)
	4,473,143	3,924,715

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
Licensed banks	-	800,000

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

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	297,873	967,779
Malaysian Government treasury bills	197,105	123,525
Malaysian Government securities	2,064,382	360,554
Private debt securities	129,972	159,735
Negotiable instruments of deposits	1,399,640	200,040
	4,088,972	1,811,633

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	243,185	149,899
Malaysian Government securities	10,160,938	7,668,583
Negotiable instruments of deposits	5,900,552	5,812,558
Cagamas bonds	1,645,709	1,613,027
Less: Allowance for ECL	(19,626)	(10,661)
	<u>17,930,758</u>	<u>15,233,406</u>
Private debt securities of companies incorporated		
In Malaysia		
Quoted corporate bonds	1,000,435	652,212
Less: Allowance for ECL	(41,967)	(33,593)
	<u>958,468</u>	<u>618,619</u>
Unquoted securities		
Private debt securities	276	276
	<u>276</u>	<u>276</u>
Total debt instruments at FVOCI	<u>18,889,502</u>	<u>15,852,301</u>

15. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
Quoted securities		
Shares of corporations in Malaysia	2,021	1,956
Unquoted securities		
Shares of corporations in Malaysia	131,312	112,489
	<u>133,333</u>	<u>114,445</u>

16. DEBT INSTRUMENTS AT AMORTISED COST ("AC")

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
Private debt securities of companies incorporated		
In Malaysia		
Unquoted corporate bonds	230,625	236,875
Less: Allowance for ECL	(8,560)	(8,560)
	<u>222,065</u>	<u>228,315</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**17. LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Overdrafts	3,228,307	3,296,981	3,228,307	3,296,981
Term loans/financing and revolving credits				
- Housing loans/financing	31,286,049	31,082,702	31,286,049	31,082,702
- Syndicated term loans/financing	655,967	618,983	655,967	618,983
- Other term loans/financing	36,740,049	36,414,587	36,859,193	36,537,257
Credit card receivables	2,734,317	2,775,736	2,734,317	2,775,736
Bills receivables	630,474	930,165	630,474	930,165
Trust receipts	2,513,221	2,575,485	2,513,221	2,575,485
Claims on customers under acceptance credits	5,624,483	5,717,466	5,624,483	5,717,466
Staff loans	37,963	37,183	37,963	37,183
Others	28,699	10,247	28,699	10,247
	83,479,529	83,459,535	83,598,673	83,582,205
Unearned interest/income	(197,882)	(174,019)	(197,882)	(174,019)
Gross loans, advances and financing	83,281,647	83,285,516	83,400,791	83,408,186
Allowances for impairment on loans advances and financing				
-Stage 1- 12 month ECL	(809,123)	(797,395)	(810,470)	(798,668)
-Stage 2- Lifetime ECL non credit-impaired	(372,895)	(362,169)	(372,895)	(362,169)
-Stage 3- Lifetime ECL credit-impaired	(220,845)	(212,674)	(220,845)	(212,674)
Net loans, advances and financing	81,878,784	81,913,278	81,996,581	82,034,675

(i) Gross loans, advances and financing by maturity structure:

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Maturing within one year	22,999,190	24,325,312	22,999,190	24,325,312
One year to three years	4,710,917	4,730,492	4,830,061	4,853,162
Three years to five years	5,602,789	4,961,830	5,602,789	4,961,830
Over five years	49,968,751	49,267,882	49,968,751	49,267,882
	83,281,647	83,285,516	83,400,791	83,408,186

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**17. LOANS, ADVANCES AND FINANCING (cont'd.)****(ii) Gross loans, advances and financing by type of customers:**

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Domestic non-banking financial institutions				
- Stockbroking companies	10,390	10,373	10,390	10,373
- Others	745,043	757,929	745,043	757,929
Domestic business enterprises				
- Small medium enterprises	17,766,817	17,687,565	17,766,817	17,687,565
- Others	16,632,859	16,601,228	16,752,003	16,723,898
Individuals	41,808,315	41,191,581	41,808,315	41,191,581
Foreign entities	6,318,223	7,036,840	6,318,223	7,036,840
	83,281,647	83,285,516	83,400,791	83,408,186

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

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Fixed rate				
- Housing loans/financing	37,118	36,387	37,118	36,387
- Other fixed rate loans /financing	9,702,561	9,616,001	9,702,561	9,616,001
Variable rate				
- Base rate/base lending /financing rate-plus	54,086,948	53,589,211	54,086,948	53,589,211
- Cost-plus	19,022,079	19,493,298	19,141,223	19,615,968
- Other variable rates	432,941	550,619	432,941	550,619
	83,281,647	83,285,516	83,400,791	83,408,186

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**17. LOANS, ADVANCES AND FINANCING (cont'd.)****(iv) Gross loans, advances and financing by economic sector:**

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Agriculture, hunting, forestry and fishing	1,437,027	1,550,623	1,437,027	1,550,623
Mining and quarrying	465,044	827,392	465,044	827,392
Manufacturing	6,940,158	7,032,638	6,940,158	7,032,638
Electricity, gas and water	221,190	241,989	221,190	241,989
Construction	7,160,820	7,061,239	7,160,820	7,061,239
Wholesale, retail trade, restaurants and hotels	10,888,443	11,103,719	10,888,443	11,103,719
Transport, storage and communication	1,753,948	1,396,309	1,753,948	1,396,309
Finance, insurance and business services	3,361,658	3,317,014	3,361,658	3,317,014
Real estate	3,784,451	4,067,240	3,903,595	4,189,910
Community, social and personal services	185,586	162,448	185,586	162,448
Households				
- purchase of residential properties	32,573,369	31,851,983	32,573,369	31,851,983
- purchase of non residential properties	8,952,752	9,046,495	8,952,752	9,046,495
- others	5,557,201	5,626,427	5,557,201	5,626,427
	83,281,647	83,285,516	83,400,791	83,408,186

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**17. LOANS, ADVANCES AND FINANCING (cont'd.)****(v) Movements in impaired loans, advances and financing are as follows:**

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
As at 1 January	1,433,152	1,350,419
Classified as impaired during the financial period/year	354,950	1,001,207
Amount recovered	(142,514)	(370,124)
Reclassified as non-impaired	(115,298)	(312,772)
Amount written off	(76,415)	(235,578)
As at 30 June/31 December	<u>1,453,875</u>	<u>1,433,152</u>
Less: Stage 3-Lifetime ECL credit-impaired	(220,845)	(212,674)
Net impaired loans, advances and financing	<u>1,233,030</u>	<u>1,220,478</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less allowance for ECL on credit-impaired provisions	<u>1.5%</u>	<u>1.5%</u>

(vi) Credit-impaired loans, advances and financing analysed by economic sectors are as follows:

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,285	661
Mining and quarrying	1,256	-
Manufacturing	134,930	136,935
Construction	201,730	204,187
Wholesale, retail trade, restaurants and hotels	164,233	173,862
Transport, storage and communication	77,685	70,630
Finance, insurance and business services	24,973	23,531
Real estate	204,868	209,088
Community, social and personal services	147	541
Households		
- purchase of residential properties	469,986	444,979
- purchase of non-residential properties	81,276	79,010
- others	91,506	89,728
	<u>1,453,875</u>	<u>1,433,152</u>

(vii) Credit-impaired loans, advances and financing analysed by geographical distribution are as follows:

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
In Malaysia	<u>1,453,875</u>	<u>1,433,152</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**18. DERIVATIVE 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 for customers, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 June 2019			
Foreign exchange contracts			
- forwards	8,144,290	57,452	21,401
- swaps	18,171,246	49,065	86,271
- options	1,504,582	10,050	5,093
Interest rate related contracts			
- swaps	22,748,746	241,550	165,204
- futures	6,638,810	3,263	3,365
Equity related contracts			
- swaps	31,790	2,804	2,804
- options	702,867	15,723	15,814
Commodity related contracts			
- swaps	497,561	34,565	6,898
- futures	423,434	2,271	22,436
- options	143,690	16	109
		416,759	329,395

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**18. 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 2018			
Foreign exchange contracts			
- forwards	7,931,513	86,357	70,023
- swaps	16,964,555	30,824	107,689
- options	797,961	3,258	808
Interest rate related contracts			
- swaps	21,399,277	179,274	133,776
- futures	3,723,824	-	2,964
Equity related contracts			
- swaps	260,441	28,885	28,885
- options	700,536	9,235	13,984
Commodity related contracts			
- swaps	400,292	31,496	40,156
- futures	106,078	2,418	1,662
- options	128,262	4,749	-
		376,496	399,947

The table above analyses the principal amounts and the positive and negative fair values of the Group's 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.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**19. OTHER ASSETS**

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Other receivables, deposits and prepayments	235,628	259,866	239,773	259,939
Accrued interest/income receivable	213,274	205,603	213,276	205,603
Amount due from subsidiaries	-	-	144	138
Amount due from ultimate holding company	16,296	15,869	16,296	15,869
Precious metal accounts	193,288	173,229	193,288	173,229
Less: Allowance for ECL	(1,441)	(2,679)	(1,443)	(2,679)
	657,045	651,888	661,334	652,099

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Demand deposits	21,041,965	21,027,840	21,103,698	21,049,769
Savings deposits	3,876,333	3,654,396	3,876,333	3,654,396
Fixed deposits	63,337,208	60,717,079	63,337,208	60,717,079
Others	2,386,298	3,333,783	2,386,298	3,333,783
	90,641,804	88,733,098	90,703,537	88,755,027

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

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Due within six months	39,982,209	36,398,052	39,982,209	36,398,052
Six months to one year	23,022,658	24,058,409	23,022,658	24,058,409
One year to three years	160,141	96,889	160,141	96,889
Three years to five years	172,200	163,729	172,200	163,729
	63,337,208	60,717,079	63,337,208	60,717,079

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**20. DEPOSITS FROM CUSTOMERS (cont'd.)**

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

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Business enterprises				
- Subsidiaries	-	-	61,733	21,929
- Related companies	1,088	1,054	1,088	1,054
- Others	35,892,205	34,113,169	35,892,205	34,113,169
Individuals	49,604,800	48,188,124	49,604,800	48,188,124
Others	5,143,711	6,430,751	5,143,711	6,430,751
	90,641,804	88,733,098	90,703,537	88,755,027

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Licensed banks in Malaysia	2,166,359	1,848,770	2,166,359	1,848,770
Bank Negara Malaysia	759,521	864,808	759,521	864,808
Other financial institutions	6,156,451	6,500,860	6,156,471	6,500,880
	9,082,331	9,214,438	9,082,351	9,214,458

22. OTHER LIABILITIES

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Allowance for ECL on commitments and contingencies	115,926	148,529	115,926	148,529
Accrued interest payable	542,806	603,659	542,806	603,659
Accruals and provisions for operational expenses	108,837	198,426	107,382	196,863
Other payables and accruals	1,397,544	1,435,180	1,400,850	1,434,954
Deferred income	142,004	162,613	142,004	162,613
	2,307,117	2,548,407	2,308,968	2,546,618

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**23. SUBORDINATED BONDS**

	Group and Bank	
	30-Jun-19	31-Dec-18
	RM'000	RM'000
<i>At amortised cost</i>		
RM1 billion subordinated bond 2015/2025, at par (Note (a))	1,003,625	1,001,690
RM600 million subordinated bond 2018/2028, at par (Note (b))	608,367	600,392
	<u>1,611,992</u>	<u>1,602,082</u>
Accumulated fair value hedge loss (Note (c))	<u>(11,992)</u>	<u>(2,082)</u>

- (a) On 8 May 2015, the Bank issued RM1 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) ("the Bond 1").

The Bond 1 bears interest at the rate of 4.65% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 1 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 Bond 1 has been rated AA1 by Rating Agency Malaysia Bhd and it qualifies as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

- (b) On 25 July 2018, the Bank issued RM600 million Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) ("the Bond 2").

The Bond 2 bears interest at the rate of 4.80% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 2 may be redeemed at par at the option of the Bank, in part or in whole, on 25 July 2023 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 25 January and 25 July each year commencing 25 January 2019.

The Bond 2 has been rated AA1 by Rating Agency Malaysia Bhd and it qualifies as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

- (c) Fair value hedge

The Bank uses fair value hedge to protect changes in fair value of the Bond 1 and Bond 2. The Bank primarily uses interest rate swap as hedge of interest rate risk.

As at 30 June 2019, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (31 December 2018: RM500 million) for Bond 1 and RM600 million (31 December 2017: RM600 million) for Bond 2.

For Bond 1, the Bank receives a fixed interest rate of 4.65% per annum and pays variable interests rate of 6-month KLIBOR plus 0.590% to 0.725% on the notional amount.

For Bond 2, the Bank receives a fixed interest rate of 3.835% per annum and pays variable interests rate of 3-month KLIBOR on the notional amount.

The swap is being used to hedge exposure to changes in fair value of fixed rate of both bonds, which have a fixed rate.

The movements in fair value of the interest rate swap of RM9,910,000 loss (31 December 2018: RM620,000 gain) are recognised in trading and investment income during the period. There is no ineffectiveness recognised for this hedge.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**24 Movements in allowance for ECL****(a) Other financial assets:**

**Cash and short-term funds, Debt instruments at FVOCI,
Debt instruments at AC and Other assets**

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL non credit- impaired	Lifetime ECL credit-impaired	
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	42,080	574	39,960	82,614
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	29,265	(100,976)	-	(71,711)
Transferred to Stage 2	(4,329)	53,023	-	48,694
New/additional during the period	42,035	63,374	-	105,409
Maturity/settlement/reduction during the period	(51,229)	(15,698)	-	(66,927)
Exchanges differences	(41)	(32)	-	(73)
<u>Movements without profit or loss impact:</u>				
Other movements	-	9	-	9
As at 30 June 2019	57,781	274	39,960	98,015
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	46,092	1,128	39,960	87,180
As at 1 January 2018, restated	46,092	1,128	39,960	87,180
<u>Movements with profit or loss impact:</u>				
New/additional during the year	122,844	-	-	122,844
Maturity/settlement/reduction during the year	(126,856)	(554)	-	(127,410)
As at 31 December 2018	42,080	574	39,960	82,614

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**24 Movements in allowance for ECL (cont'd.)****(b) Commitments and contingencies**

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit-impaired RM'000	
As at 1 January 2019	101,107	31,860	15,562	148,529
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	25,591	(31,460)	-	(5,869)
Transferred to Stage 2	(23,038)	28,863	-	5,825
Transferred to Stage 3	-	(204)	-	(204)
New/additional during the period	98,708	11,092	266	110,066
Maturity/settlement/reduction during the period	(120,619)	(19,220)	(2,553)	(142,392)
Exchanges differences	(20)	-	-	(20)
<u>Movements without profit or loss impact:</u>				
Other movements	-	(9)	-	(9)
As at 30 June 2019	81,729	20,922	13,275	115,926
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	74,010	14,275	17,111	105,396
As at 1 January 2018, restated	74,010	14,275	17,111	105,396
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	16,992	(23,616)	(2)	(6,626)
Transferred to Stage 2	(23,094)	46,826	(55)	23,677
Transferred to Stage 3	(2)	(7)	410	401
New/additional during the year	356,117	117,779	265	474,161
Maturity/settlement/reduction during the year	(323,005)	(123,373)	(2,169)	(448,547)
Exchanges differences	89	(24)	2	67
As at 31 December 2018	101,107	31,860	15,562	148,529

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**24 Movements in allowance for ECL (cont'd.)****(c) Loans, advances and financing**

Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	non credit- RM'000	credit-impaired RM'000	
As at 1 January 2019	797,395	362,169	212,674	1,372,238
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	19,956	(58,903)	(23)	(38,970)
Transferred to Stage 2	(37,170)	121,420	(8,817)	75,433
Transferred to Stage 3	(493)	(27,979)	61,302	32,830
New/additional during the period	158,762	23,051	78,632	260,445
Maturity/settlement/reduction during the period	(129,706)	(46,890)	(54,504)	(231,100)
Exchanges differences	379	27	-	406
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(62,489)	(62,489)
Other movements	-	-	(5,930)	(5,930)
As at 30 June 2019	809,123	372,895	220,845	1,402,863
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	690,008	402,436	310,143	1,402,587
As at 1 January 2018, restated	690,008	402,436	310,143	1,402,587
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
New/additional during the year	397,906	88,051	141,417	627,374
Maturity/settlement/reduction during the year	(281,908)	(160,254)	(113,673)	(555,835)
Exchanges differences	113	(113)	-	-
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
As at 31 December 2018	797,395	362,169	212,674	1,372,238

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**24 Movements in allowance for ECL (cont'd.)****(c) Loans, advances and financing (cont'd')**

Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	non credit-	credit-impaired	
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	798,668	362,169	212,674	1,373,511
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	19,956	(58,903)	(23)	(38,970)
Transferred to Stage 2	(37,170)	121,420	(8,817)	75,433
Transferred to Stage 3	(493)	(27,979)	61,302	32,830
New/additional during the period	158,762	23,051	78,632	260,445
Maturity/settlement/reduction during the period	(129,632)	(46,890)	(54,504)	(231,026)
Exchanges differences	379	27	-	406
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(62,489)	(62,489)
Other movements	-	-	(5,930)	(5,930)
As at 30 June 2019	810,470	372,895	220,845	1,404,210
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	690,916	402,436	310,143	1,403,495
As at 1 January 2018, restated	690,916	402,436	310,143	1,403,495
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
New/additional during the year	398,271	88,051	141,417	627,739
Maturity/settlement/reduction during the year	(281,908)	(160,254)	(113,673)	(555,835)
Exchanges differences	113	(113)	-	-
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
As at 31 December 2018	798,668	362,169	212,674	1,373,511

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**25. 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.

26. INTEREST INCOME

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Interest income from loans, advances and financing	1,019,242	1,008,040	2,069,336	1,987,512
Interest income from impaired loans, advances and financing	16,510	19,797	31,601	39,409
Money at call and deposit placements with financial institutions	44,905	55,405	99,926	133,761
Financial assets at FVTPL	11,858	12,801	18,090	20,509
Debt instruments at FVOCI	181,088	129,017	320,127	221,183
Debt instruments at AC	2,700	-	5,772	-
Others	501	1	804	17
	1,276,804	1,225,061	2,545,656	2,402,391
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	(2,082)	21,223	2,384	26,750
- Debt instruments at FVOCI	(7,354)	(3,539)	(9,252)	(6,833)
	1,267,368	1,242,745	2,538,788	2,422,308
Bank				
Interest income from loans, advances and financing	1,017,841	1,009,411	2,069,336	1,990,094
Interest income from impaired loans, advances and financing	16,510	19,797	31,601	39,409
Money at call and deposit placements with financial institutions	47,663	55,400	102,684	133,758
Financial assets at FVTPL	11,858	12,801	18,090	20,509
Debt instruments at FVOCI	181,088	129,017	320,127	221,183
Debt instruments at AC	2,700	-	5,772	-
Others	500	1	803	17
	1,278,160	1,226,427	2,548,413	2,404,970
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	(2,082)	21,222	2,384	26,750
- Debt instruments at FVOCI	(7,354)	(3,538)	(9,252)	(6,833)
	1,268,724	1,244,111	2,541,545	2,424,887

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**27. INTEREST EXPENSE**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Deposits from customers	697,906	668,750	1,382,436	1,304,701
Deposits and placements of banks and other financial institutions	52,172	42,157	103,249	65,674
Subordinated bonds	17,886	16,917	36,113	33,536
Lease liabilities	224	-	439	-
Others	189	4,829	8,334	10,877
	768,377	732,653	1,530,571	1,414,788
Bank				
Deposits from customers	698,112	668,757	1,382,773	1,304,736
Deposits and placements of banks and other financial institutions	52,172	42,157	103,249	65,674
Subordinated bonds	17,886	16,917	36,113	33,536
Lease liabilities	668	-	1,328	-
Others	188	4,830	8,333	10,877
	769,026	732,661	1,531,796	1,414,823

28. OTHER OPERATING INCOME

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
<u>Fee income</u>				
Commission	71,556	62,890	126,580	141,463
Guarantee fees	19,130	19,740	37,471	45,616
Service charges and fees	54,733	56,771	104,491	106,591
Less: Fee expenses	(16,595)	(15,706)	(33,283)	(30,680)
	38,138	41,065	71,208	75,911
Commitment fees	8,785	6,854	20,330	13,858
Arrangement and participation fees	615	4,370	2,482	4,590
	138,224	134,919	258,071	281,438

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

EXPLANATORY NOTES**28. OTHER OPERATING INCOME (cont'd.)**

Group (cont'd.)	Second Quarter Ended		Six Months Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
<u>Trading and Investment income</u>				
Gain/(Loss) from sale of financial assets at FVTPL	38,808	(2,811)	47,891	(167)
Unrealised (loss)/gain on financial assets at FVTPL	(135)	(6,924)	2,285	(5,718)
Gain/(Loss) from trading derivatives	562	3,113	(19,559)	31,052
Unrealised gain from trading derivatives	10,306	17,071	39,210	9,848
Unrealised (loss)/gain on fair value hedge	(7,269)	34	(9,910)	847
(Loss)/Gain from sale of precious metal	(1,303)	527	(982)	1,157
Unrealised (loss)/gain from sale of precious metal	(1,966)	73	(2,928)	28
Gain from sale/recovery of debt instruments at FVOCI	-	22	4,822	3,305
Gross dividends from:				
- Equity instruments at FVOCI	-	508	9	508
	39,003	11,613	60,838	40,860
<u>Other income</u>				
Foreign exchange gain, net	49,690	50,240	114,041	109,363
Rental income from operating leases	22	21	43	46
Gain on disposal of property, plant and equipment	3	-	3	134
Gain on liquidation of subsidiaries	-	12	-	12
Others	3,469	5,066	6,819	8,826
	53,184	55,339	120,906	118,381
	230,411	201,871	439,815	440,679

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**28. OTHER OPERATING INCOME (cont'd.)**

	Second Quarter		Six Months	
	Ended		Ended	
Bank	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	71,556	62,890	126,580	141,463
Guarantee fees	19,130	19,740	37,471	45,616
Service charges and fees	54,817	56,836	104,659	106,720
Less: Fee expenses	(16,594)	(15,706)	(33,282)	(30,680)
	38,223	41,130	71,377	76,040
Commitment fees	8,785	6,854	20,330	13,858
Arrangement and participation fees	615	4,370	2,482	4,590
	138,309	134,984	258,240	281,567
<u>Trading and Investment income</u>				
Gain/(Loss) from sale of financial assets at FVTPL	38,808	(2,810)	47,891	(166)
Unrealised (loss)/gain on financial assets at FVTPL	(135)	(6,924)	2,285	(5,718)
Gain/(Loss) from trading derivatives	562	3,113	(19,559)	31,052
Unrealised gain from trading derivatives	10,306	17,071	39,210	9,848
Unrealised (loss)/gain on fair value hedge	(7,269)	33	(9,910)	846
(Loss)/Gain from sale of precious metal	(1,303)	527	(982)	1,157
Unrealised (loss)/gain from sale of previous metal	(1,966)	73	(2,928)	28
Gain from sale/recovery of debt instruments at FVOCI	-	22	4,822	3,305
Gross dividends from:				
- Equity instruments at FVOCI	-	508	9	508
	39,003	11,613	60,838	40,860

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

EXPLANATORY NOTES**28. OTHER OPERATING INCOME (cont'd.)**

	Second Quarter Ended		Six Months Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Bank (cont'd.)				
<u>Other income</u>				
Foreign exchange gain, net	49,689	50,239	114,040	109,362
Gain on disposal of property, plant and equipment	3	-	3	134
Gain on liquidation of subsidiaries	-	12	-	12
Others	3,469	5,066	6,819	8,826
	53,161	55,317	120,862	118,334
	230,473	201,914	439,940	440,761

29. OTHER OPERATING EXPENSES

	Second Quarter Ended		Six Months Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Group				
Personnel expenses	211,790	190,819	409,285	373,650
Establishment related expenses	59,862	53,888	118,823	110,698
Promotion and marketing related expenses	11,475	8,563	18,866	16,144
General administrative expenses	27,755	24,516	51,964	50,842
	310,882	277,786	598,938	551,334
<u>Personnel expenses</u>				
Wages, salaries and bonus	163,791	149,461	318,792	296,141
Defined contribution plan	25,661	23,428	50,666	46,427
Other employee benefits	22,338	17,930	39,827	31,082
	211,790	190,819	409,285	373,650
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	17,796	15,682	33,833	30,295
Depreciation of right-of-use assets	3,757	-	7,120	-
Information technology costs	13,385	9,932	24,868	25,648
Repair and maintenance	11,567	12,123	28,028	23,807
Short term lease expenses	407	-	1,130	-
Rental of premises	-	3,807	-	8,025
Others	12,950	12,344	23,844	22,923
	59,862	53,888	118,823	110,698

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**29. OTHER OPERATING EXPENSES (cont'd.)**

Group (cont'd.)	Second Quarter Ended		Six Months Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	11,475	8,563	18,866	16,144
<u>General administrative expenses</u>				
Fees and commissions paid	8,474	7,654	15,734	13,277
Others	19,281	16,862	36,230	37,565
	27,755	24,516	51,964	50,842
Bank				
Personnel expenses	210,719	189,590	406,876	371,336
Establishment related expenses	62,827	57,422	124,319	117,373
Promotion and marketing related expenses	11,463	8,555	18,782	16,127
General administrative expenses	27,743	24,563	51,884	50,755
	312,752	280,130	601,861	555,591
<u>Personnel expenses</u>				
Wages, salaries and bonus	162,926	148,495	316,819	294,271
Defined contribution plan	25,535	23,295	50,385	46,164
Other employee benefits	22,258	17,800	39,672	30,901
	210,719	189,590	406,876	371,336
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	14,957	13,370	28,141	25,731
Depreciation of right-of-use assets	8,771	-	17,148	-
Information technology costs	13,385	9,932	24,868	25,648
Repair and maintenance	11,319	11,921	27,608	23,394
Short term lease expenses	407	-	1,130	-
Rental of premises	-	8,645	-	17,585
Others	13,988	13,554	25,424	25,015
	62,827	57,422	124,319	117,373
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	11,463	8,555	18,782	16,127
<u>General administrative expenses</u>				
Fees and commissions paid	8,469	7,707	15,677	13,200
Others	19,274	16,856	36,207	37,555
	27,743	24,563	51,884	50,755

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**30. ALLOWANCE FOR EXPECTED CREDIT LOSSES**

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
a	Loans, advances and financing			
- Stage 1 ECL	11,166	(8,162)	11,728	(2,366)
- Stage 2 ECL	15,081	4,042	10,726	5,702
- Stage 3 ECL	47,852	47,393	76,590	68,409
	74,099	43,273	99,044	71,745
	Credit-impaired loans, advances and financing			
- written off	15,946	11,893	23,654	21,773
- recovered	(16,546)	(13,359)	(30,692)	(27,071)
	73,499	41,807	92,006	66,447
b	Other financial assets			
	Placement with banks and other financial institutions, and other assets			
	4,168	13,741	(1,947)	(1,328)
	2,801	(18,689)	17,339	1,154
	6,969	(4,948)	15,392	(174)
c	Commitments and contingencies			
- Stage 1 ECL	6,786	1,660	(19,378)	7,606
- Stage 2 ECL	(4,366)	(1,036)	(10,929)	2,834
- Stage 3 ECL	58	(1,557)	(2,287)	(1,325)
	2,478	(933)	(32,594)	9,115
Bank				
a	Loans, advances and financing			
- Stage 1 ECL	11,250	(8,134)	11,802	(2,110)
- Stage 2 ECL	15,081	4,042	10,726	5,702
- Stage 3 ECL	47,852	47,393	76,590	68,409
	74,183	43,301	99,118	72,001
	Credit-impaired loans, advances and financing			
- written off	15,944	11,893	23,652	21,773
- recovered	(16,546)	(13,359)	(30,692)	(27,071)
	73,581	41,835	92,078	66,703
b	Other financial assets			
	Placement with banks and other financial institutions, and other assets			
	4,168	13,742	(1,947)	(1,327)
	2,801	(18,690)	17,339	1,153
	6,969	(4,948)	15,392	(174)
c	Commitments and contingencies			
- Stage 1 ECL	6,786	1,660	(19,377)	7,606
- Stage 2 ECL	(4,366)	(1,036)	(10,930)	2,834
- Stage 3 ECL	58	(1,557)	(2,287)	(1,325)
	2,478	(933)	(32,594)	9,115

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

31. 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, offers 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 is an integral part of the Group, dedicated to providing high-net-worth clients with financial and portfolio planning services. We are focused on helping our clients achieve sustainable growth and legacy solutions of their wealth for future generations via bespoke wealth management and credit advisory. Business Banking serves small enterprises, offers 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, 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.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

31. 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, 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

Other segments include corporate support functions and decisions not attributable to business segments mentioned above and property-related activities.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

31. 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 June 2019							
Operating income	700,898	551,157	128,436	97,984	1,478,475	(11,848)	1,466,627
Other operating expenses	(375,509)	(130,664)	(29,967)	(75,281)	(611,421)	12,483	(598,938)
Allowance for expected credit losses	(39,052)	(35,810)	-	(36)	(74,898)	94	(74,804)
Share of net profit of an associate	-	-	-	119	119	-	119
Profit before taxation	<u>286,337</u>	<u>384,683</u>	<u>98,469</u>	<u>22,786</u>	<u>792,275</u>	<u>729</u>	<u>793,004</u>
Income tax expense							<u>(194,452)</u>
							<u>598,552</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

31. 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 June 2019

Inter-segment operating income	173,780	111,243	(398,870)	125,695	11,848	(11,848)	-
Total depreciation	10,971	3,842	2,322	33,804	50,939	(9,986)	40,953

As at 30 June 2019

Gross loans, advances and financing	53,615,254	29,455,177	-	330,360	83,400,791	(119,144)	83,281,647
Deposits from customers	61,989,370	28,534,036	152,500	27,631	90,703,537	(61,733)	90,641,804

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

31. 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 June 2018							
Operating income	690,325	558,333	69,867	160,431	1,478,956	(12,527)	1,466,429
Other operating expenses	(351,482)	(117,088)	(26,317)	(68,933)	(563,820)	12,486	(551,334)
Allowance for expected credit losses	(61,820)	(13,821)	-	2	(75,639)	251	(75,388)
Share of net profit of an associate	-	-	-	112	112	-	112
Profit before taxation	<u>277,023</u>	<u>427,424</u>	<u>43,550</u>	<u>91,612</u>	<u>839,609</u>	<u>210</u>	<u>839,819</u>
Income tax expense							<u>(205,444)</u>
							<u>634,375</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

31. 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 June 2018

Inter-segment operating income	90,744	132,313	(397,685)	187,155	12,527	(12,527)	-
Total depreciation	5,056	1,863	914	22,420	30,253	42	30,295

As at 31 December 2018

Gross loans, advances and financing	52,897,727	30,152,862	-	357,597	83,408,186	(122,670)	83,285,516
Deposits from customers	59,691,754	29,021,283	30,000	11,990	88,755,027	(21,929)	88,733,098

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**32. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY**

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and Basel II – Risk-Weighted Assets ("RWA") issued on 2 February 2018.

	Group		Bank	
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/ Tier 1 Capital</u>				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	8,540,261	9,035,171	8,616,143	9,111,054
Other reserves	360,063	282,731	163,143	85,810
Regulatory adjustments applied in the calculation of CET1 Capital	(338,683)	(349,705)	(403,922)	(365,064)
Total CET1/Tier 1 Capital	9,354,196	9,760,752	9,167,919	9,624,355
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,600,000	1,600,000	1,600,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	293,016	304,310	293,750	305,066
- General provisions	25,077	26,553	15,088	16,505
Regulatory adjustments applied in the calculation of Tier 2 Capital	85,437	85,437	-	-
Total Tier 2 Capital	2,003,530	2,016,300	1,908,838	1,921,571
Total Capital	11,357,726	11,777,052	11,076,757	11,545,926

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

32. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (cont'd.)

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

	Group		Bank	
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
CET1/Tier 1 Capital	16.038%	16.200% *	15.900%	16.151% *
Total Capital	19.473%	19.547% *	19.210%	19.376% *

* The CET1/Tier 1 Capital and Total Capital ratios were before payment of dividend. The CET1/Tier 1 Capital would be 15.379% and 18.725% for the Group and 15.321% and 18.546% for the Bank, net of proposed dividend.

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

	Group		Bank	
	30-Jun-19 RM'000	31-Dec-18 RM'000	30-Jun-19 RM'000	31-Dec-18 RM'000
Total RWA for credit risk	51,156,127	52,842,515	50,479,373	52,164,645
Total RWA for market risk	1,686,534	1,975,548	1,686,534	1,975,548
Total RWA for operational risk	5,483,894	5,433,208	5,495,327	5,448,326
	58,326,555	60,251,271	57,661,234	59,588,519

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**33. 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.

As at 30 June 2019	Principal amount RM'000	Group Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,936,643	2,861,386	2,043,006
Transaction-related contingent items	6,135,022	3,074,011	2,072,118
Short-term self-liquidating trade-related contingencies	446,252	97,051	52,045
Foreign exchange related contracts			
- not more than one year	27,218,892	436,003	114,950
- more than one year to less than five years	601,227	35,587	17,243
Interest rate related contracts			
- not more than one year	11,777,501	48,659	28,972
- more than one year to less than five years	15,782,980	724,095	387,559
- five years and above	1,827,076	230,464	142,663
Equity related contracts			
- not more than one year	543,823	2,693	1,255
- more than one year to less than five years	190,834	-	-
Commodity related contracts			
- not more than one year	869,448	75,223	12,933
- more than one year to less than five years	195,237	21,543	3,351
Undrawn credit facility			
- not more than one year	16,216,634	800,425	147,615
- more than one year	8,233,641	5,612,998	3,935,413
- unconditionally cancellable	14,598,869	6,028,159	706,421
Other commitments	1,843,527	597,509	385,346
Total	109,417,606	20,645,806	10,050,890

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

33. COMMITMENTS AND CONTINGENCIES (cont'd.)

As at 31 December 2018	Principal amount RM'000	Group Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	3,189,451	3,124,810	2,346,211
Transaction-related contingent items	6,192,218	3,104,378	2,184,179
Short-term self-liquidating trade-related contingencies	420,884	92,276	49,619
Foreign exchange related contracts			
- not more than one year	25,089,263	432,896	134,002
- more than one year to less than five years	604,766	39,997	21,641
Interest rate related contracts			
- not more than one year	7,938,700	41,229	20,365
- more than one year to less than five years	16,739,543	818,849	486,248
- five years and above	444,858	62,165	47,091
Equity related contracts			
- not more than one year	368,736	21,318	19,472
- more than one year to less than five years	592,241	24,477	3,863
Commodity related contracts			
- not more than one year	491,782	70,992	14,754
- more than one year to less than five years	142,850	16,031	2,818
Undrawn credit facility			
- not more than one year	15,979,669	790,026	163,696
- more than one year	11,436,035	6,463,900	4,894,091
- unconditionally cancellable	11,668,659	5,738,926	643,341
Other commitments	659,498	382,572	382,572
Total	101,959,153	21,224,842	11,413,963

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

33. COMMITMENTS AND CONTINGENCIES (cont'd.)

As at 30 June 2019	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,936,643	2,861,386	2,043,006
Transaction-related contingent items	6,135,022	3,074,011	2,072,118
Short-term self-liquidating trade-related contingencies	446,252	97,051	52,045
Foreign exchange related contracts			
- not more than one year	27,218,892	436,003	114,950
- more than one year to less than five years	601,227	35,587	17,243
Interest rate related contracts			
- not more than one year	11,777,501	48,659	28,972
- more than one year to less than five years	15,782,980	724,095	387,559
- five years and above	1,827,076	230,464	142,663
Equity related contracts			
- not more than one year	543,823	2,693	1,255
- more than one year to less than five years	190,834	-	-
Commodity related contracts			
- not more than one year	869,448	75,223	12,933
- more than one year to less than five years	195,237	21,543	3,351
Undrawn credit facility			
- not more than one year	16,216,634	800,425	147,615
- more than one year	8,233,641	5,612,998	3,935,413
- unconditionally cancellable	14,598,869	6,028,160	706,421
Other commitments	1,486,780	240,655	28,492
Total	109,060,859	20,288,953	9,694,036

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES**33. COMMITMENTS AND CONTINGENCIES (cont'd.)**

As at 31 December 2018	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	3,189,451	3,124,810	2,346,211
Transaction-related contingent items	6,192,218	3,104,378	2,184,179
Short-term self-liquidating trade-related contingencies	420,884	92,276	49,619
Foreign exchange related contracts			
- not more than one year	25,089,263	432,896	134,002
- more than one year to less than five years	604,766	39,997	21,641
Interest rate related contracts			
- not more than one year	7,938,700	41,229	20,365
- more than one year to less than five years	16,739,543	818,849	486,248
- five years and above	444,858	62,165	47,091
Equity related contracts			
- not more than one year	368,736	21,318	19,472
- more than one year to less than five years	592,241	24,477	3,863
Commodity related contracts			
- not more than one year	491,782	70,992	14,754
- more than one year to less than five years	142,850	16,031	2,818
Undrawn credit facility			
- not more than one year	15,979,669	790,026	163,696
- more than one year	11,436,035	6,463,900	4,894,091
- unconditionally cancellable	11,668,659	5,738,926	643,341
Other commitments	288,715	11,790	11,790
Total	101,588,370	20,854,060	11,043,181

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).

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

34. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group and Bank	
	30-Jun-19	31-Dec-18
Outstanding credit exposures with connected parties (RM'000)	921,718	1,224,402
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.105%	1.468%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.000%	0.000%

The credit exposures above are derived based on Bank Negara Malaysia's revised guidelines on Credit Transaction and Exposure with Connected Parties.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

35. PERFORMANCE REVIEW

For the six months ended 30 June 2019, the Group recorded a profit before taxation of RM793.0 million, a decrease of 5.6% or RM46.8 million compared to same period last year.

Total operating income improved slightly by RM0.2 million to RM1,466.6 million as compared to corresponding period last year. The increase was from higher net interest income by RM0.7 million and higher net income from Islamic Banking operations by RM0.4 million, partially offset by lower other operating income by RM0.9 million. The drop in other operating income was due to lower fee income, partly offset by higher trading and investment income and other income.

Expenses increased by 8.6% or RM47.6 million to RM598.9 million driven by higher staff expenses and establishment related expenses.

Total allowance for expected credit losses reduced by RM0.6 million to RM74.8 million mainly due to higher expected credit loss on loans, advances and financing coupled with other financial assets, offset by write-back of expected credit loss on commitments and contingencies.

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

36. PROSPECTS FOR 2019

The global economy is expected to stay on a positive albeit moderating growth path in 2019. Global growth momentum is showing signs of moderation amid decelerating growth across most major advanced and emerging economies. Going forward, unresolved trade tensions remain a key source of risk, affecting global trade and investment activities. Elevated political and policy uncertainty could lead to financial market adjustments, further weighing on the overall outlook. Nevertheless, Asia's fundamentals remain firm and policy makers have initiated policies to secure growth and stability. At the same time, global conditions should benefit from a more dovish stance by the US Federal Reserve and an easing of financial conditions.

Malaysia's gross domestic product is projected to expand by 4.6% in 2019, which marks a mild moderation from 4.7% in 2018. Private sector spending will be the key driver of growth alongside a recovery in commodity sectors and continued demand from major trade partners. Malaysia's economic fundamentals remain sound. The country benefits from a diversified economic structure, improved external position, resilient institutions, favourable demographics, significant natural resources, strategic geographical location, and robust macro policies. The ongoing efforts to improve transparency and accountability will strengthen investor confidence over time. Malaysia will continue to benefit from various regional and multilateral initiatives which are catalysts for further development, trade and investment in the region. Over the medium term, Malaysia's economy continues to look attractive given its stable fundamentals and ongoing policy reforms to stimulate economic growth through labor, capital and technology.

Amid the moderate economic growth, we continue to focus on the fundamentals which include maintaining a strong balance sheet, investing in our people and capabilities for the future whilst putting our customers at the centre.

The Group is expected to achieve fair set of result in 2019.

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

37. ISLAMIC BANKING OPERATIONS

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	30-Jun-19 RM'000	31-Dec-18 RM'000
Assets			
Cash and short-term funds	a	2,209,718	2,709,957
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	493,170	179,662
Financing, advances and others	c	3,701,357	2,702,218
Other assets	d	4,542	2,656
Derivative financial assets		860	50
Statutory deposits with Bank Negara Malaysia		85,000	58,500
Plant and equipment		6,361	54
Deferred tax assets		3,649	4,140
Total assets		6,504,657	5,657,237
Liabilities and Islamic Banking funds			
Deposits from customers	f	5,101,617	4,635,848
Investment accounts due to designated financial institution	g	394,738	99,946
Deposits and placements of banks and other financial institutions	h	446,902	419,903
Bills and acceptances payable		1,152	318
Derivative financial liabilities		770	467
Other liabilities	i	99,904	52,491
Tax Payable		5,096	2,748
Total liabilities		6,050,179	5,211,721
Capital fund		450,000	450,000
Reserves		4,478	(4,484)
Islamic Banking funds	j	454,478	445,516
Total liabilities and Islamic Banking funds		6,504,657	5,657,237
Commitments and contingencies	r	1,488,251	1,373,030

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 2018.

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

37. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019**

	Note	Second quarter ended		Six months ended	
		30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Income derived from depositors' funds	k	33,660	13,105	70,561	21,676
Income derived from investment of Islamic Banking funds	l	27,133	14,124	51,321	24,492
Income derived from investment of Investment Account funds	m	3,414	-	4,466	-
(Allowance for)/write back of expected credit loss:					
Financing, advances and others	p	(4,248)	(3,401)	11,605	(5,980)
Other financial assets	p	(600)	(210)	(354)	(358)
Commitment and contingencies	p	(233)	725	192	800
Total attributable income		59,126	24,343	137,791	40,630
Income attributable to depositors	n	(51,699)	(17,856)	(104,180)	(27,938)
Income attributable to Investment Account holder	o	(2,732)	-	(3,573)	-
Total net income		4,695	6,487	30,038	12,692
Other operating expenses	q	(9,254)	(5,143)	(18,396)	(10,097)
(Loss)/profit before taxation		(4,559)	1,344	11,642	2,595
Income tax income		1,092	(398)	(2,801)	(618)
(Loss)/profit after taxation		(3,467)	946	8,841	1,977
Other comprehensive income:					
<u>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</u>					
Net fair value change in debt instruments at fair value through other comprehensive income		155	(3)	159	(29)
Income tax effect		(37)	1	(38)	7
Total other comprehensive income for the period, net of tax		118	(2)	121	(22)
Total comprehensive income for the period		(3,349)	944	8,962	1,955

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 2018.

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

37. ISLAMIC BANKING OPERATIONS (cont'd.)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 30 JUNE 2019

	Capital fund RM'000	Fair value through other comprehensive RM'000	Accumulated profit/ (losses) RM'000	Total RM'000
2019				
At 1 January 2019	450,000	(6)	(4,478)	445,516
Profit for the period	-	-	8,841	8,841
Other comprehensive income	-	121	-	121
Total comprehensive income	-	121	8,841	8,962
At 30 June 2019	450,000	115	4,363	454,478

	Capital fund RM'000	Net unrealised deficit on AFS securities RM'000	Fair value through other comprehensive RM'000	Accumulated losses RM'000	Total RM'000
2018					
At 1 January 2018	450,000	(81)	-	(518)	449,401
Effect of adopting MFRS 9 <i>Financial instruments</i>	-	81	(81)	-	-
Balance as at 1 January 2018, restated	450,000	-	(81)	(518)	449,401
Loss for the period	-	-	-	(3,960)	(3,960)
Other comprehensive income	-	-	75	-	75
Total comprehensive income	-	-	75	(3,960)	(3,885)
At 31 December 2018	450,000	-	(6)	(4,478)	445,516

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 2018.

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

37. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019**

	30-Jun-19	30-Jun-18
	RM'000	RM'000
Profit before taxation	11,642	2,595
Adjustments for non-operating and non-cash items	(1,363)	8,771
Operating profit before working capital changes	10,279	11,366
Changes in working capital:		
Net changes in operating assets	(1,028,143)	(886,777)
Net changes in operating liabilities	836,110	1,567,762
Net cash (used in)/generated from operating activities	(181,754)	692,351
Net cash (used in)/generated from investing activities	(318,485)	877
Net cash generated from financing activities	-	-
Net (decrease)/ increase in cash and cash equivalents	(500,239)	693,228
Cash and cash equivalents at beginning of the period	2,709,957	179,447
Cash and cash equivalents at end of the period	2,209,718	872,675
Analysis of cash and cash equivalents		
Cash and short term funds	2,209,718	872,675

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 2018.

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

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

a. Cash and short-term funds

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Cash and balances with banks and other financial institutions	34,231	150,053
Money at call and deposit placements maturing within one month	2,177,000	2,561,000
Less: Allowances for ECL	(1,513)	(1,096)
	<u>2,209,718</u>	<u>2,709,957</u>

b. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Government Islamic investment	250,164	30,012
Malaysia Government treasury bills	243,164	149,869
Less: Allowances for ECL	(158)	(219)
	<u>493,170</u>	<u>179,662</u>

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

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

c. Financing, advances and others

(i) Financing by type of Shariah contract:	30-Jun-19	31-Dec-18
	RM'000	RM'000
<u>Tawarrug</u>		
Term financing and revolving credits		
- Housing financing	2,079,852	1,324,968
- Others term financing	1,579,225	1,359,194
Trust receipt	1,079	-
Claim on customers under acceptance credits	60,324	48,844
Gross financing, advances and others	3,720,480	2,733,006
Allowance for ECL on financing, advances and others		
Stage 1 - 12 month ECL	(8,386)	(13,706)
Stage 2 - Lifetime ECL non credit-impaired	(6,557)	(15,449)
Stage 3 - Lifetime ECL credit impaired	(4,180)	(1,633)
Net financing, advances and others	3,701,357	2,702,218

Included in financing and advances are specific business ventures funded by the Restricted Specific Investment Account ("RSIA") arrangement between Islamic Banking and Conventional Bank. The Conventional Bank, being the RSIA depositor, is exposed to the risks and rewards of the business venture and accounts for the expected credit loss ("ECL") allowances arising thereon.

As at 30 June 2019, the gross exposure and expected credit loss relating to RSIA financing amounted to RM292,296,790 and RM261,555 respectively.

(ii) Gross financing, advances and others by maturity structure:

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Maturing within one year	437,372	323,581
One year to three years	85,963	85,954
Three years to five years	127,588	103,904
Over five years	3,069,557	2,219,567
	3,720,480	2,733,006

Company No. 271809K

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

37. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

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

(iii) Gross financing, advances and others by type of customers:

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprises	831,159	560,316
- Others	981,745	691,434
Individuals	1,804,982	1,386,740
Foreign entities	102,594	94,516
	<u>3,720,480</u>	<u>2,733,006</u>

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

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Fixed rate		
- Other fixed rate financing	60,324	48,847
Variable rates:		
- Base rate/base financing rate-plus	2,556,566	1,986,861
- Cost-plus	1,103,590	697,298
	<u>3,720,480</u>	<u>2,733,006</u>

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

37. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

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

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

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Agriculture	358,299	125,525
Manufacturing	306,608	206,940
Electricity, gas and water	62,725	63,294
Construction	263,613	198,404
Wholesale, retail trade, restaurants and hotels	488,104	383,295
Transport, storage and communication	32,737	31,454
Finance, insurance and business services	125,944	98,464
Real estate	159,836	138,790
Community, social and personal services	15,039	5,579
Households		
- purchase of residential properties	1,730,096	1,331,417
- purchase of non residential properties	103,438	99,973
- others	74,041	49,871
	<u>3,720,480</u>	<u>2,733,006</u>

(vi) Movements in impaired financing, advances and others are as follows:

	30-Jun-19	31-Dec-18
	RM'000	RM'000
As at 1 January	12,704	703
Classified as impaired during the period	15,654	12,862
Amount recovered	(40)	(6)
Reclassified as non credit impaired	(956)	(855)
As at 30 June/ 31 December	<u>27,362</u>	<u>12,704</u>
Allowance for ECL on credit impaired	<u>(4,180)</u>	<u>(1,633)</u>
Net impaired financing, advances and others	<u>23,182</u>	<u>11,071</u>

Ratio of net impaired financing, advances and others
to gross financing, advances and others
less allowance for ECL on credit impaired

0.6%

0.4%

Company No. 271809K

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

37. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

c. FINANCING, ADVANCES AND OTHERS (cont'd.)

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

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Wholesale, retail trade, restaurants and hotels	5,644	2,119
Households:		
- purchase of residential properties	21,718	10,585
	27,362	12,704

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

	30-Jun-19	31-Dec-18
	RM'000	RM'000
In Malaysia	27,362	12,704

d. Other assets

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Other receivables, deposits and prepayments	411	462
Profit receivables	4,132	2,197
Less: Allowances for ECL	(1)	(3)
	4,542	2,656

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

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

e. Movements in loss allowance for expected credit loss

(a) Other financial assets:

**Cash and Short term funds and Debt
instruments at FVOCI and Other assets**

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2019	1,317	1	-	1,318
<u>Movements with P&L impact:</u>				
New/additional during the period	3,828	-	-	3,828
Maturity/settlement/reduction during the period	(3,473)	(1)	-	(3,474)
Exchange differences	2	-	-	2
As at 30 June 2019	<u>1,672</u>	<u>-</u>	<u>-</u>	<u>1,672</u>

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	228	-	-	228
As at 1 January 2018, restated	<u>228</u>	<u>-</u>	<u>-</u>	<u>228</u>
<u>Movements with P&L impact:</u>				
New/additional during the year	3,508	2	-	3,510
Maturity/settlement/reduction during the year	(2,419)	(1)	-	(2,420)
As at 31 December 2018	<u>1,317</u>	<u>1</u>	<u>-</u>	<u>1,318</u>

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

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

e. Movements in loss allowance for expected credit loss (cont'd)

(b) Contingent Liabilities and Commitments

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2019	1,997	205	-	2,202
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	-	(7)	-	(7)
Transferred to Stage 2	(25)	373	-	348
New/additional during the period	5,521	68	-	5,589
Maturity/settlement/reduction during the period	(6,003)	(119)	-	(6,122)
As at 30 June 2019	<u>1,490</u>	<u>520</u>	<u>-</u>	<u>2,010</u>

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2018, restated	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	2,207	9	-	2,216
As at 1 January 2018, restated	<u>2,207</u>	<u>9</u>	<u>-</u>	<u>2,216</u>
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	19	(27)	-	(8)
Transferred to Stage 2	(24)	200	-	176
New/additional during the year	20,062	3,536	-	23,598
Maturity/settlement/reduction during the year	(20,267)	(3,513)	-	(23,780)
As at 31 December 2018	<u>1,997</u>	<u>205</u>	<u>-</u>	<u>2,202</u>

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

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

e. Movements in loss allowance for expected credit loss (cont'd)

(c) Financing, advances and others

	12 months ECL	Lifetime (not credit impaired) ECL	Lifetime (credit impaired) ECL	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	13,706	15,449	1,633	30,788
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	44	(2,067)	-	(2,023)
Transferred to Stage 2	(237)	3,527	(81)	3,209
Transferred to Stage 3	-	(1,155)	2,964	1,809
New/additional during the period	21,886	168	688	22,742
Maturity/settlement/reduction during the period	(27,012)	(9,365)	(758)	(37,135)
	(5,319)	(8,892)	2,813	(11,398)
Other movements	-	-	(266)	(266)
As at 30 June 2019	8,387	6,557	4,180	19,124

	12 months ECL	Lifetime (not credit impaired) ECL	Lifetime (credit impaired) ECL	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2018	-	-	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	4,678	1,733	201	6,612
As at 1 January 2018, restated	4,678	1,733	201	6,612

	12 months ECL	Lifetime (not credit impaired) ECL	Lifetime (credit impaired) ECL	Total
	RM'000	RM'000	RM'000	RM'000
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	349	(4,481)	-	(4,132)
Transferred to Stage 2	(1,054)	17,132	-	16,078
Transferred to Stage 3	-	(2,301)	2,130	(171)
New/additional during the year	66,530	3,613	49	70,192
Maturity/settlement/reduction during the year	(56,801)	(251)	(596)	(57,648)
Exchange differences	2	2	-	4
	9,026	13,714	1,583	24,323
Other movements	2	2	(151)	(147)
As at 31 December 2018	13,706	15,449	1,633	30,788

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

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

f. Deposits from customers

(i) By type of deposits:

	30-Jun-19	31-Dec-18
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	126,494	106,229
Savings deposits		
- Qard	13,179	11,860
Fixed deposits		
- Tawarruq	4,901,418	4,500,309
Other deposits		
- Tawarruq	60,526	17,450
	<u>5,101,617</u>	<u>4,635,848</u>

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

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Due within six months	3,646,688	2,353,657
Six months to one year	992,870	1,984,818
One year to three years	90,001	-
Three years to five years	171,859	161,834
	<u>4,901,418</u>	<u>4,500,309</u>

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

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Business enterprises	1,370,021	997,912
Individuals	1,123,573	1,043,184
Others	2,608,023	2,594,752
	<u>5,101,617</u>	<u>4,635,848</u>

Company No. 271809K

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

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

g. Investment accounts due to designated financial institutions

	30-Jun-19	31-Dec-18
	RM'000	RM'000
<u>Mudharabah RSIA</u>		
Licensed bank	395,000	100,000
Amount receivable from Conventional Bank	(262)	(54)
	<u>394,738</u>	<u>99,946</u>

h. Deposits and placements of banks and other financial institutions

	30-Jun-19	31-Dec-18
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	<u>446,902</u>	<u>419,903</u>

i. Other liabilities

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Allowance for ECL for commitment and contingencies	2,010	2,202
Accrued profit payable	96,145	47,410
Accruals and provisions for operational expenses	1,749	2,879
	<u>99,904</u>	<u>52,491</u>

j. Islamic Banking funds

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Capital fund	450,000	450,000
Fair value through other comprehensive income reserve	115	(6)
Retained profits/ (Accumulated losses)	4,363	(4,478)
	<u>454,478</u>	<u>445,516</u>

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

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

k. Income derived from depositors' funds

	Second quarter ended		Six months ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	16,993	7,522	32,563	13,027
Money at call and deposit placements with financial institutions	16,667	5,583	37,998	8,649
	33,660	13,105	70,561	21,676

l. Income derived from investment of Islamic Banking funds

	Second quarter ended		Six months ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	23,183	10,400	43,014	17,228
Money at call and deposit placements with financial institutions	1,166	1,495	2,795	2,655
FVOCI securities	464	228	848	454
	24,813	12,123	46,657	20,337
<u>Other operating income</u>				
Trading income	297	86	612	187
Commission income	1,417	1,294	2,534	2,560
Fee income	597	617	1,502	1,402
Others	9	4	16	6
	27,133	14,124	51,321	24,492

Company No. 271809K

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

37. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

m. Income derived from investment of Investment Account funds

	Second quarter ended		Six months ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Financing, advances and others	2,941	-	3,794	-
Money at call and deposit placements with financial institutions	473	-	672	-
	3,414	-	4,466	-

n. Income attributable to depositors

	Second quarter ended		Six months ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors from non-mudharabah fund	51,699	17,856	104,180	27,938

o. Income attributable to investment account holders

	Second quarter ended		Six months ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors from mudharabah fund	2,732	-	3,573	-

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

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

p. Allowance for impairment on financing, advances and others and other financial assets

	Second quarter ended		Six months period	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Allowance for impairment on financing, advances and others				
Stage 1 ECL	776	(602)	(5,319)	3,296
Stage 2 ECL	1,632	4,036	(8,892)	2,540
Stage 3 ECL	2,035	(33)	2,814	144
Recovery from RSIA holder*	(195)	-	(208)	-
	4,248	3,401	(11,605)	5,980
*The RSIA holder is the Conventional Banking				
Other financial assets				
Stage 1 ECL	600	360	355	371
Stage 2 ECL	-	(150)	(1)	(13)
	600	210	354	358
Commitment and contingencies				
Stage 1 ECL	(167)	(728)	(507)	(794)
Stage 2 ECL	400	3	315	(6)
	233	(725)	(192)	(800)
Total	5,081	2,886	(11,443)	5,538

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

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

q. Other operating expenses

	Second quarter ended		Six months ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Personnel expenses	452	504	1,110	973
Establishment related expenses	646	127	893	222
Promotion and marketing related expenses	38	-	83	10
General administrative expenses	8,118	4,512	16,310	8,892
	9,254	5,143	18,396	10,097
Personnel expenses				
- Wages, salaries and bonus	374	389	787	758
- Defined contribution plan	60	26	126	120
- Other employee benefits	18	89	197	95
	452	504	1,110	973
Establishment related expenses				
- Depreciation of property, plant and equipment	229	4	289	8
- Repair and maintenance	-	-	1	2
- Rental of premises	-	3	-	6
- Information technology costs	99	-	182	-
- Others	318	120	421	206
	646	127	893	222
Promotion and marketing related expenses				
- Advertisement and publicity	38	-	83	10
General administrative expenses				
- Fees and commissions paid	95	90	194	168
- Management fee	7,893	4,411	15,924	8,652
- Others	130	11	192	72
	8,118	4,512	16,310	8,892

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

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

r. 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 June 2019			
Direct credit substitutes	11,012	11,012	9,660
Transaction-related contingent items	40,926	20,568	23,347
Short-term self-liquidating trade-related contingencies	4,084	1,132	612
Foreign exchange related contracts			
- less than one year	125,658	1,121	475
Undrawn credit facility			
- less than one year	181,285	1,926	674
- more than one year	1,001,309	656,054	203,840
- unconditionally cancellable	123,977	-	-
Total	1,488,251	691,813	238,609
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2018			
Direct credit substitutes	11,092	11,092	5,833
Transaction-related contingent items	31,974	15,987	14,260
Short-term self-liquidating trade-related contingencies	1,717	343	71
Foreign exchange related contracts			
- less than one year	113,442	1,745	422
Undrawn credit facility			
- less than one year	162,598	280	126
- more than one year	1,052,207	582,650	114,732
- unconditionally cancellable			
Total	1,373,030	612,097	135,444

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES**

s. 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-Jun-19	31-Dec-18
	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Accumulated losses	(4,478)	(4,478)
Other reserves	115	(6)
Regulatory adjustments applied in the calculation of CET1 Capital	(5,571)	(4,156)
Total CET1/Tier 1 Capital	440,066	441,360
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	-	8,136
- General provisions	80	247
Total Tier 2 Capital	80	8,383
Total Capital	440,146	449,743

(a) The capital adequacy ratios are as follows:

	30-Jun-19	31-Dec-18
Before the effects of PSIA		
CET1/Tier 1 Capital	20.963%	30.386%
Total Capital	20.966%	30.977%
After the effects of PSIA		
CET1/Tier 1 Capital	24.649%	31.099%
Total Capital	24.654%	31.689%

In accordance with BNM's Guidelines on the Recognition of Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit risk and market risks of the assets funded by the RSIA which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 June 2019, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM313,996,323 (31 December 2018: RM33,283,000).

Company No. 271809K

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

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

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

	30-Jun-19	31-Dec-18
	RM'000	RM'000
Total RWA for credit risk	1,729,224	1,375,717
Total RWA for market risk	1,099	159
Total RWA for operational risk	54,970	43,348
	<u>1,785,293</u>	<u>1,419,224</u>