

UNITED OVERSEAS BANK (MALAYSIA) BHD
Company No. 199301017069 (271809K)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
31 MARCH 2022

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

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	Group		Bank	
		31-Mar-22 RM'000	31-Dec-21 RM'000	31-Mar-22 RM'000	31-Dec-21 RM'000
ASSETS					
Cash and short-term funds	11	11,921,619	10,063,224	11,921,619	10,063,224
Deposits and placements with financial institutions	12	499,863	-	499,863	-
Securities purchased under resale agreements		-	77,705	-	77,705
Financial assets at fair value through profit or loss ("FVTPL")	13	5,194,611	4,594,153	5,194,611	4,594,153
Debt instruments at fair value through other comprehensive income ("FVOCI")	14	21,429,800	22,142,903	21,429,800	22,142,903
Equity instruments at fair value through other comprehensive income ("FVOCI")	15	156,788	157,024	156,788	157,024
Debt Instruments at amortised cost	16	1,411,235	1,176,380	1,411,235	1,176,380
Loans, advances and financing	17	88,124,783	87,712,734	88,210,239	87,804,018
Derivative financial assets	18	522,136	515,746	522,136	515,746
Other assets	19	811,415	901,255	825,415	903,498
Statutory deposits with Bank Negara Malaysia		86,725	180,667	86,725	180,667
Investment in subsidiaries		-	-	530,020	530,020
Investment in an associate		9,171	9,747	13,522	13,522
Property, plant and equipment		1,153,005	1,135,441	382,464	372,868
Right-of-use assets		69,243	66,048	119,308	118,290
Deferred tax assets		281,809	262,147	281,810	262,147
TOTAL ASSETS		131,672,203	128,995,174	131,585,555	128,912,165
LIABILITIES					
Deposits from customers	20	97,328,758	97,074,345	97,350,253	97,101,837
Deposits and placements of banks and other financial institutions	21	17,500,075	15,344,500	17,500,095	15,344,520
Obligations on securities sold under repurchase agreements		656,752	546,768	656,752	546,768
Bills and acceptances payable		229,445	208,321	229,445	208,321
Derivative financial liabilities	18	439,794	520,281	439,794	520,281
Other liabilities	22	1,819,966	1,895,309	1,817,697	1,889,833
Lease liabilities		72,814	69,455	124,383	125,595
Tax payable		197,431	155,402	197,360	154,823
Subordinated bonds	23	1,360,697	1,363,268	1,360,697	1,363,268
Deferred tax liabilities		30,005	30,005	-	-
TOTAL LIABILITIES		119,635,737	117,207,654	119,676,476	117,255,246

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)
AS AT 31 MARCH 2022

	Notes	Group		Bank	
		31-Mar-22 RM'000	31-Dec-21 RM'000	31-Mar-22 RM'000	31-Dec-21 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		792,555	792,555	792,555	792,555
Reserves		11,243,911	10,994,965	11,116,524	10,864,364
TOTAL EQUITY		12,036,466	11,787,520	11,909,079	11,656,919
TOTAL LIABILITIES AND EQUITY		131,672,203	128,995,174	131,585,555	128,912,165
COMMITMENTS AND CONTINGENCIES	33	151,992,842	148,148,043	151,898,712	148,041,422

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 2021.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

Group	Note	First Quarter Ended		Three Months Ended	
		31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Operating revenue	25	1,250,358	1,238,877	1,250,358	1,238,877
Interest income	26	997,589	986,139	997,589	986,139
Interest expense	27	(385,092)	(392,660)	(385,092)	(392,660)
Net interest income		612,497	593,479	612,497	593,479
Net income from Islamic Banking operations	36	34,381	31,163	34,381	31,163
Other operating income	28	199,795	204,314	199,795	204,314
Operating income		846,673	828,956	846,673	828,956
Other operating expenses	29	(335,926)	(303,230)	(335,926)	(303,230)
Operating profit before allowances for expected credit losses		510,747	525,726	510,747	525,726
(Allowances for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(29,937)	(48,866)	(29,937)	(48,866)
Other financial assets	30	22,463	(6,069)	22,463	(6,069)
Commitments and contingencies	30	(3,821)	(12,888)	(3,821)	(12,888)
		499,452	457,903	499,452	457,903
Share of net profit of an associate		(576)	24	(576)	24
Profit before taxation		498,876	457,927	498,876	457,927
Income tax expense		(154,615)	(111,085)	(154,615)	(111,085)
Profit for the period attributable to equity holders of the Bank		344,261	346,842	344,261	346,842
Basic/diluted earnings per share (sen)		73.2	73.8	73.2	73.8

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2021.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

Bank	Note	First Quarter Ended		Three Months Ended	
		31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Operating revenue	25	1,251,012	1,239,598	1,251,012	1,239,598
Interest income	26	998,237	986,791	998,237	986,791
Interest expense	27	(385,483)	(393,353)	(385,483)	(393,353)
Net interest income		612,754	593,438	612,754	593,438
Net income from Islamic Banking operations	36	34,381	31,163	34,381	31,163
Other operating income	28	199,802	204,383	199,802	204,383
Operating income		846,937	828,984	846,937	828,984
Other operating expenses	29	(333,791)	(304,103)	(333,791)	(304,103)
Operating profit before allowances for expected credit losses		513,146	524,881	513,146	524,881
(Allowances for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(29,937)	(48,888)	(29,937)	(48,888)
Other financial assets	30	21,957	(6,072)	21,957	(6,072)
Commitments and contingencies	30	(3,821)	(12,888)	(3,821)	(12,888)
Profit before taxation		501,345	457,033	501,345	457,033
Income tax expense		(153,870)	(110,758)	(153,870)	(110,758)
Profit for the period attributable to equity holders of the Bank		347,475	346,275	347,475	346,275
Basic/diluted earnings per share (sen)		73.9	73.7	73.9	73.7

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 2021.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Profit for the period	344,261	346,842	344,261	346,842
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	(125,178)	(230,863)	(125,178)	(230,863)
Income tax effect	30,043	55,406	30,043	55,406
	(95,135)	(175,457)	(95,135)	(175,457)
<u>Items that will not be reclassified subsequently to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	(237)	(1,557)	(237)	(1,557)
Revaluation of lands and buildings	-	-	-	-
Gains on disposal of equity	-	6	-	6
Income tax effect	57	374	57	374
	(180)	(1,177)	(180)	(1,177)
Total other comprehensive income for the period, net of tax	(95,315)	(176,634)	(95,315)	(176,634)
Total comprehensive income for the period attributable to equity holders	248,946	170,208	248,946	170,208

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 2021.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	First Quarter Ended		Three Months Ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Bank				
Profit for the period	347,475	346,275	347,475	346,275
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	(125,178)	(230,863)	(125,178)	(230,863)
Income tax effect	30,043	55,406	30,043	55,406
	(95,135)	(175,457)	(95,135)	(175,457)
<u>Items that will not be reclassified subsequently to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	(237)	(1,557)	(237)	(1,557)
Gains on disposal of equity	-	6	-	6
Income tax effect	57	374	57	374
	(180)	(1,177)	(180)	(1,177)
Total other comprehensive income for the period, net of tax	(95,315)	(176,634)	(95,315)	(176,634)
Total comprehensive income for the period attributable to equity holders	252,160	169,641	252,160	169,641

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 2021.

Company No. 199301017069 (271809K)

UNITED OVERSEAS BANK (MALAYSIA) BHD
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

GROUP	← Non-distributable →			Distributable	Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	
2022	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2022	792,555	192,735	(7,099)	10,809,329	11,787,520
Profit for the period	-	-	-	344,261	344,261
Gain on disposal on equity	-	-	-	-	-
Other comprehensive income for the period	-	-	(95,315)	-	(95,315)
Total comprehensive income for the period	-	-	(95,315)	344,261	248,946
Balance as at 31 March 2022	792,555	192,735	(102,414)	11,153,590	12,036,466

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 2021.

Company No. 199301017069 (271809K)

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

GROUP (cont'd.)	← Non-distributable →			Distributable	Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	
2021	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2021	792,555	184,130	309,046	10,174,394	11,460,125
Profit for the period	-	-	-	346,842	346,842
Gain on disposal on equity	-	-	-	6	6
Other comprehensive income for the period	-	-	(176,640)	-	(176,640)
Total comprehensive income for the period	-	-	(176,640)	346,848	170,208
Balance as at 31 March 2021	792,555	184,130	132,406	10,521,242	11,630,333

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 2021.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

BANK	Non-distributable		Distributable	Total
	Share capital	Fair value through other comprehensive income reserve	Retained profits	
2022	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2022	792,555	(14,002)	10,878,366	11,656,919
Profit for the period	-	-	347,475	347,475
Gain on disposal on equity	-	-	-	-
Other comprehensive income for the period	-	(95,315)	-	(95,315)
Total comprehensive income for the period	-	(95,315)	347,475	252,160
Balance as at 31 March 2022	792,555	(109,317)	11,225,841	11,909,079

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 2021.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

BANK (cont'd.)	Non-distributable		Distributable	
	Share capital	Fair value through other comprehensive income reserve	Retained profits	Total
2021	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2021	792,555	302,144	10,236,774	11,331,473
Profit for the period	-	-	346,275	346,275
Gain on disposal on equity	-	-	6	6
Other comprehensive income for the period	-	(176,640)	-	(176,640)
Total comprehensive income for the period	-	(176,640)	346,281	169,641
Balance as at 31 March 2021	792,555	125,504	10,583,055	11,501,114

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 2021.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	Group		Bank	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Profit before taxation	498,876	457,927	501,345	457,033
Adjustments for non-operating and non-cash items	<u>(110,480)</u>	<u>(16,601)</u>	<u>(112,515)</u>	<u>4,270</u>
Operating profit before working capital changes	388,396	441,326	388,830	461,303
Changes in working capital:				
Net changes in operating assets	(1,013,846)	1,407,752	(1,020,281)	1,433,812
Net changes in operating liabilities	2,388,988	(5,253,295)	2,381,625	(5,270,546)
Tax expense paid	<u>(102,148)</u>	<u>(97,112)</u>	<u>(100,896)</u>	<u>(96,484)</u>
Net cash generated from/(used in) operating activities	1,661,390	(3,501,329)	1,649,278	(3,471,915)
Net cash generated from investing activities	680,866	2,955,910	692,978	2,926,496
Net cash used in financing activities	<u>(2,571)</u>	<u>(7,104)</u>	<u>(2,571)</u>	<u>(7,104)</u>
Net increase/(decrease) in cash and cash equivalents	2,339,685	(552,523)	2,339,685	(552,523)
Cash and cash equivalents at beginning of the period	<u>10,094,057</u>	<u>7,276,178</u>	<u>10,094,057</u>	<u>7,276,178</u>
Cash and cash equivalents at end of the period	<u>12,433,742</u>	<u>6,723,655</u>	<u>12,433,742</u>	<u>6,723,655</u>
Analysis of cash and cash equivalents				
Cash and short-term funds	11,927,612	6,723,655	11,927,612	6,723,655
Deposits and placements with financial institutions	500,000	-	500,000	-
	<u>12,427,612</u>	<u>6,723,655</u>	<u>12,427,612</u>	<u>6,723,655</u>
Less: Allowance for expected credit losses	(6,130)	(60,925)	(6,130)	(60,925)
	<u>12,421,482</u>	<u>6,662,730</u>	<u>12,421,482</u>	<u>6,662,730</u>

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 2021.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

1. BASIS OF PREPARATION

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Bank for the financial year ended 31 December 2021. 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 2021.

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 2021, 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 2022:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform Phase 2

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"

Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)

Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities Contingent Assets)

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendments to MFRS 17 Insurance Contracts)

Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)

Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)

Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)

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. The initial application of the abovementioned pronouncements is not expected to have any significant impact to the financial statements of the Group and the Bank.

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EXPLANATORY NOTES

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2021 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 31 March 2022.

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 31 March 2022.

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 31 March 2022.

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 2021.

8. DIVIDENDS

There was no proposed dividend for the financial year ended 31 December 2021.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

Other than the proposed acquisition of Citibank (Malaysia) Berhad's consumer banking business, there were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited condensed interim financial statements.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period ended 31 March 2022.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,709,727	1,335,442
Money at call and deposit placements maturing within one month	10,217,885	8,758,615
	11,927,612	10,094,057
Less: Allowances for ECL	(5,993)	(30,833)
	11,921,619	10,063,224

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
Licensed banks	500,000	-
Less: Allowances for ECL	(137)	-
	499,863	-

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

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
Money market instruments		
Malaysian Government treasury bills	635,094	619,799
Malaysian Government securities	51,014	335,233
Negotiable instruments of deposits	2,099,947	1,999,656
	2,786,055	2,954,688
Unquoted securities in Malaysia		
Cagamas bonds	270,402	306,142
Private debt securities	2,138,154	1,333,323
	2,408,556	1,639,465
	5,194,611	4,594,153

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	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	210,062	-
Malaysian Government securities	14,089,471	14,758,380
Negotiable instruments of deposits	2,440,090	3,539,347
	<u>16,739,623</u>	<u>18,297,727</u>
Unquoted securities in Malaysia		
Cagamas bonds	1,655,295	1,333,627
Private debt securities	3,034,882	2,511,549
	<u>4,690,177</u>	<u>3,845,176</u>
Total debt instruments at FVOCI	<u>21,429,800</u>	<u>22,142,903</u>

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

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
Quoted securities		
Shares of corporations in Malaysia	1,368	1,604
Unquoted securities		
Shares of corporations in Malaysia	155,420	155,420
	<u>156,788</u>	<u>157,024</u>

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

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
Money market instruments		
Malaysian Government securities	637,242	451,645
Private debt securities of companies incorporated In Malaysia		
Unquoted corporate bonds	775,980	726,510
Less: Allowances for ECL	(1,987)	(1,775)
	<u>1,411,235</u>	<u>1,176,380</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,674,672	2,636,072	2,674,672	2,636,072
Term loans/financing and revolving credits				
- Housing loans/financing	34,051,131	33,954,442	34,051,131	33,954,442
- Syndicated term loans/financing	2,143,224	2,089,627	2,143,224	2,089,627
- Other term loans/financing	37,557,528	37,811,091	37,643,893	37,903,284
Credit card receivables	2,373,481	2,435,130	2,373,481	2,435,130
Bills receivables	659,288	696,528	659,288	696,528
Trust receipts	5,100,942	5,298,316	5,100,942	5,298,316
Claims on customers under acceptance credits	5,879,875	5,141,539	5,879,875	5,141,539
Staff loans	36,786	37,352	36,786	37,352
Others	6,850	3,348	6,850	3,348
	90,483,777	90,103,445	90,570,142	90,195,638
Unearned interest/income	(141,568)	(139,762)	(141,568)	(139,762)
Gross loans, advances and financing	90,342,209	89,963,683	90,428,574	90,055,876
Allowances for impairment on loans advances and financing				
-Stage 1- 12 month ECL	(275,873)	(311,664)	(276,782)	(312,573)
-Stage 2- Lifetime ECL non impaired	(1,348,691)	(1,298,483)	(1,348,691)	(1,298,483)
-Stage 3- Lifetime ECL credit-impaired	(592,862)	(640,802)	(592,862)	(640,802)
Net loans, advances and financing	88,124,783	87,712,734	88,210,239	87,804,018

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

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	23,258,681	22,986,954	23,345,046	23,079,147
One year to three years	6,450,205	6,093,520	6,450,205	6,093,520
Three years to five years	8,238,870	8,278,729	8,238,870	8,278,729
Over five years	52,394,453	52,604,480	52,394,453	52,604,480
	90,342,209	89,963,683	90,428,574	90,055,876

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

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Domestic non-banking financial institutions				
- Stockbroking companies	10,972	10,744	10,972	10,744
- Others	2,487,774	2,266,529	2,487,774	2,266,529
Domestic business enterprises				
- Small medium enterprises	21,140,627	21,400,001	21,140,627	21,400,001
- Others	17,581,421	16,963,443	17,667,786	17,055,636
Individuals	43,066,550	43,160,411	43,066,550	43,160,411
Foreign entities	6,054,865	6,162,555	6,054,865	6,162,555
	90,342,209	89,963,683	90,428,574	90,055,876

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

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	10,519	11,082	10,519	11,082
- Other fixed rate loans /financing	10,493,768	9,824,867	10,493,768	9,824,867
Variable rate				
- Base rate/base lending /financing rate-plus	55,028,669	55,040,775	55,028,669	55,040,775
- Cost-plus	24,143,115	24,378,075	24,229,480	24,470,268
- Other variable rates	666,138	708,884	666,138	708,884
	90,342,209	89,963,683	90,428,574	90,055,876

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

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,555,351	1,694,512	1,555,351	1,694,512
Mining and quarrying	495,064	597,154	495,064	597,154
Manufacturing	9,186,692	8,830,615	9,186,692	8,830,615
Electricity, gas and water	443,269	414,011	443,269	414,011
Construction	6,905,174	6,981,131	6,905,174	6,981,131
Wholesale, retail trade, restaurants and hotels	13,824,256	13,672,443	13,824,256	13,672,443
Transport, storage and communication	1,604,917	1,514,949	1,604,917	1,514,949
Finance, insurance and business services	4,159,868	3,947,289	4,159,868	3,947,289
Real estate	4,139,951	4,155,245	4,226,316	4,247,438
Community, social and personal services	153,926	156,312	153,926	156,312
Households				
- purchase of residential properties	34,711,246	34,638,094	34,711,246	34,638,094
- purchase of non residential properties	8,213,492	8,313,384	8,213,492	8,313,384
- others	4,949,003	5,048,544	4,949,003	5,048,544
	90,342,209	89,963,683	90,428,574	90,055,876

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

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
As at 1 January	2,322,439	1,678,371
Classified as impaired during the financial period/year	174,015	1,167,585
Amount recovered	(85,967)	(248,872)
Reclassified as non-impaired	(19,873)	(61,852)
Amount written off	(86,674)	(212,793)
As at 31 December	2,303,940	2,322,439
Less: Stage 3-Lifetime ECL credit-impaired	(592,862)	(640,802)
Net impaired loans, advances and financing	1,711,078	1,681,637
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less allowances for ECL on credit-impaired provisions	1.9%	1.9%

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

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,087	1,273
Mining and quarrying	82,210	81,750
Manufacturing	203,964	205,181
Construction	432,642	430,926
Wholesale, retail trade, restaurants and hotels	318,214	304,175
Transport, storage and communication	37,931	97,410
Finance, insurance and business services	30,132	29,184
Real estate	172,902	171,016
Community, social and personal services	1,992	-
Households		
- purchase of residential properties	748,784	718,355
- purchase of non-residential properties	186,868	185,960
- others	87,214	97,209
	2,303,940	2,322,439

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

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
In Malaysia	2,303,940	2,322,439

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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 31 March 2022			
Foreign exchange contracts			
- forwards	13,505,140	33,536	34,507
- swaps	32,744,011	119,690	73,292
- options	1,447,074	6,154	1,882
Interest rate related contracts			
- swaps	49,350,462	300,439	287,878
- futures	206,007	119	156
- options	180,000	1,691	138
Equity related contracts			
- options	63,560	1	13,945
Commodity related contracts			
- swaps	279,044	59,288	22,093
- futures	86,599	1,218	5,282
- options	9,175	-	621
		<u>522,136</u>	<u>439,794</u>

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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 2021			
Foreign exchange contracts			
- forwards	11,510,741	31,253	46,340
- swaps	31,645,477	140,738	184,340
- options	886,202	4,250	856
Interest rate related contracts			
- swaps	51,119,083	304,351	263,273
- futures	460,392	92	586
- options	180,000	1,828	117
Equity related contracts			
- options	44,935	20	10,918
Commodity related contracts			
- swaps	180,195	26,268	5,469
- futures	125,010	1,373	8,382
- options	7,891	5,573	-
		<u>515,746</u>	<u>520,281</u>

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.

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EXPLANATORY NOTES**19. OTHER ASSETS**

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	220,422	313,392	225,308	313,248
Accrued interest/income receivable	239,735	209,919	239,735	209,919
Amount due from subsidiaries	-	-	12,548	5,267
Amount due from fellow subsidiary	85	240	36	240
Amount due from holding company	48	48	48	48
Amount due from ultimate holding company	1,085	851	1,085	851
Precious metal accounts	358,797	383,299	358,797	383,299
Less: Allowances for ECL	(8,757)	(6,494)	(12,142)	(9,374)
	811,415	901,255	825,415	903,498

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Demand deposits	32,644,421	31,974,033	32,661,352	32,000,153
Savings deposits	6,357,941	6,357,942	6,357,941	6,357,942
Fixed deposits	55,652,932	54,792,750	55,652,932	54,792,750
Others	2,673,464	3,949,620	2,678,028	3,950,992
	97,328,758	97,074,345	97,350,253	97,101,837

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

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Due within six months	32,412,105	35,175,716	32,412,105	35,175,716
Six months to one year	23,048,694	19,435,185	23,048,694	19,435,185
One year to three years	192,045	181,775	192,045	181,775
Three years to five years	88	74	88	74
	55,652,932	54,792,750	55,652,932	54,792,750

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

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

	Group		Bank	
	31-Mar-22 RM'000	31-Dec-21 RM'000	31-Mar-22 RM'000	31-Dec-21 RM'000
Business enterprises				
- Subsidiaries	-	-	16,931	26,120
- Related companies	724	742	724	742
- Others	44,764,224	44,128,146	44,768,788	44,129,518
Individuals	50,354,121	49,672,108	50,354,121	49,672,108
Others	2,209,689	3,273,349	2,209,689	3,273,349
	97,328,758	97,074,345	97,350,253	97,101,837

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31-Mar-22 RM'000	31-Dec-21 RM'000	31-Mar-22 RM'000	31-Dec-21 RM'000
Licensed banks in Malaysia	3,719,775	1,782,856	3,756,338	1,782,856
Bank Negara Malaysia	1,018,319	1,011,320	1,018,319	1,011,320
Other financial institutions	12,761,981	12,550,324	12,725,438	12,550,344
	17,500,075	15,344,500	17,500,095	15,344,520

22. OTHER LIABILITIES

	Group		Bank	
	31-Mar-22 RM'000	31-Dec-21 RM'000	31-Mar-22 RM'000	31-Dec-21 RM'000
Allowances for ECL on commitments and contingencies	194,425	190,605	194,426	190,605
Accrued interest payable	185,234	188,185	185,234	188,185
Accruals and provisions for operational expenses	165,969	250,881	161,802	245,398
Other payables and accruals	1,212,250	1,203,022	1,214,147	1,203,029
Deferred income	62,088	62,616	62,088	62,616
	1,819,966	1,895,309	1,817,697	1,889,833

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EXPLANATORY NOTES

23. SUBORDINATED BONDS

	Group and Bank	
	31-Mar-22	31-Dec-21
	RM'000	RM'000
<i>At amortised cost</i>		
RM600 million subordinated bond 2018/2028, at par (Note (a))	610,697	613,268
RM750 million subordinated bond 2020/2030, at par (Note (b))	750,000	750,000
	<u>1,360,697</u>	<u>1,363,268</u>
Accumulated fair value hedge loss (Note (c))	<u>(10,697)</u>	<u>(13,268)</u>

- (a) 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 1").

The Bond 1 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 1 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 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 3 August 2020, the Bank issued RM750 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 3.00% 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 1 August 2025 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 3 February and 3 August each year commencing 3 February 2021.

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. The Bank primarily uses interest rate swap as hedge of interest rate risk.

As at 31 March 2022, the Bank had an interest rate swap agreement in place with notional amount of RM600 million (31 December 2020: RM600 million) for Bond 1.

For Bond 1, 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 unrealised loss of RM2,571,000 (31 December 2021: RM13,898,000 unrealised loss) are recognised in trading and investment income during the period. There is no ineffectiveness recognised for this hedge.

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EXPLANATORY NOTES

24 Movements in allowances for ECL

(a) Other financial assets:

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

Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	
As at 1 January 2022	46,401	4,914	39,960	91,275
<u>Movements with profit or loss impact:</u>				
New/additional during the period	13,214	2,076	-	15,290
Maturity/settlement/reduction during the period	(36,426)	(1,327)	-	(37,753)
As at 31 March 2022	23,189	5,663	39,960	68,812
As at 1 January 2021	78,455	1,632	39,960	120,047
<u>Movements with profit or loss impact:</u>				
New/additional during the year	35,883	5,106	-	40,989
Maturity/settlement/reduction during the year	(67,937)	(1,824)	-	(69,761)
As at 31 December 2021	46,401	4,914	39,960	91,275
Bank				
As at 1 January 2022	46,401	7,794	39,960	94,155
<u>Movements with profit or loss impact:</u>				
New/additional during the period	13,214	2,581	-	15,795
Maturity/settlement/reduction during the period	(36,426)	(1,327)	-	(37,753)
As at 31 March 2022	23,189	9,048	39,960	72,197
As at 1 January 2021	78,455	1,632	39,960	120,047
<u>Movements with profit or loss impact:</u>				
New/additional during the year	35,883	7,986	-	43,869
Maturity/settlement/reduction during the year	(67,937)	(1,824)	-	(69,761)
As at 31 December 2021	46,401	7,794	39,960	94,155

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EXPLANATORY NOTES

24 Movements in allowances for ECL (cont'd.)

(b) Commitments and contingencies

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	non impaired	credit-impaired	RM'000
		RM'000	RM'000	
As at 1 January 2022	46,976	128,561	15,068	190,605
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	3,068	(19,431)	-	(16,363)
Transferred to Stage 2	(3,186)	25,404	-	22,218
New/additional during the period	15,233	8,638	756	24,627
Maturity/settlement/reduction during the period	(11,298)	(15,294)	(94)	(26,686)
Foreign translation gain	25	-	-	25
As at 31 March 2022	50,818	127,878	15,730	194,426
As at 1 January 2021	75,917	38,846	17,593	132,356
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	15,781	(18,792)	-	(3,011)
Transferred to Stage 2	(8,048)	24,333	-	16,285
New/additional during the year	43,608	100,256	98	143,962
Maturity/settlement/reduction during the year	(80,451)	(16,172)	(2,623)	(99,246)
Foreign translation gain	169	90	-	259
As at 31 December 2021	46,976	128,561	15,068	190,605

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EXPLANATORY NOTES
24 Movements in allowances 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	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	
As at 1 January 2022	311,664	1,298,483	640,802	2,250,949
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	5,705	(32,544)	(260)	(27,099)
Transferred to Stage 2	(12,958)	64,669	(2,239)	49,472
Transferred to Stage 3	(194)	(7,411)	30,439	22,834
New/additional during the period	33,406	76,572	27,584	137,562
Maturity/settlement/reduction during the period	(59,891)	(51,293)	(18,322)	(129,506)
Exchanges differences	(1,859)	215	-	(1,644)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(91,631)	(91,631)
Other movements	-	-	6,489	6,489
As at 31 March 2022	275,873	1,348,691	592,862	2,217,426
As at 1 January 2021	711,051	785,956	455,576	1,952,583
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	34,188	(77,956)	(2,501)	(46,269)
Transferred to Stage 2	(37,237)	134,368	(1,733)	95,398
Transferred to Stage 3	(1,951)	(22,872)	301,676	276,853
New/additional during the year	141,266	556,993	124,952	823,211
Maturity/settlement/reduction during the year	(533,865)	(78,717)	(34,643)	(647,225)
Exchanges differences	(1,788)	711	-	(1,077)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(187,901)	(187,901)
Other movements	-	-	(14,624)	(14,624)
As at 31 December 2021	311,664	1,298,483	640,802	2,250,949

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EXPLANATORY NOTES

24 Movements in allowances for ECL (cont'd.)
(c) Loans, advances and financing (cont'd')

Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	non impaired	credit-impaired	RM'000
		RM'000	RM'000	RM'000
As at 1 January 2022	312,573	1,298,483	640,802	2,251,858
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	5,705	(32,544)	(260)	(27,099)
Transferred to Stage 2	(12,958)	64,669	(2,239)	49,472
Transferred to Stage 3	(194)	(7,411)	30,439	22,834
New/additional during the period	32,531	76,572	27,584	136,687
Maturity/settlement/reduction during the period	(59,016)	(51,293)	(18,322)	(128,631)
Exchanges differences	(1,859)	215	-	(1,644)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(91,631)	(91,631)
Other movements	-	-	6,489	6,489
As at 31 March 2022	276,782	1,348,691	592,862	2,218,335
As at 1 January 2021	712,300	785,956	455,576	1,953,832
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	34,188	(77,956)	(2,501)	(46,269)
Transferred to Stage 2	(37,237)	134,368	(1,733)	95,398
Transferred to Stage 3	(1,951)	(22,872)	301,676	276,853
New/additional during the year	142,177	556,993	124,952	824,122
Maturity/settlement/reduction during the year	(535,116)	(78,717)	(34,643)	(648,476)
Exchanges differences	(1,788)	711	-	(1,077)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(187,901)	(187,901)
Other movements	-	-	(14,624)	(14,624)
As at 31 December 2021	312,573	1,298,483	640,802	2,251,858

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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

	First Quarter Ended		Three Months Ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Group				
Interest income from loans, advances and financing	745,952	751,708	745,952	751,708
Interest income from impaired loans, advances and financing	16,522	14,910	16,522	14,910
Money at call and deposit placements with financial institutions	67,455	38,183	67,455	38,183
Financial assets at FVTPL	24,027	27,308	24,027	27,308
Debt instruments at FVOCI	158,123	174,863	158,123	174,863
Debt instruments at AC	11,318	4,375	11,318	4,375
	1,023,397	1,011,347	1,023,397	1,011,347
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	4,428	(1,079)	4,428	(1,079)
- Debt instruments at FVOCI	(30,236)	(24,129)	(30,236)	(24,129)
	997,589	986,139	997,589	986,139
Bank				
Interest income from loans, advances and financing	746,599	752,361	746,599	752,361
Interest income from impaired loans, advances and financing	16,522	14,910	16,522	14,910
Money at call and deposit placements with financial institutions	67,456	38,183	67,456	38,183
Financial assets at FVTPL	24,027	27,308	24,027	27,308
Debt instruments at FVOCI	158,123	174,863	158,123	174,863
Debt instruments at AC	11,318	4,375	11,318	4,375
	1,024,045	1,012,000	1,024,045	1,012,000
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	4,428	(1,079)	4,428	(1,079)
- Debt instruments at FVOCI	(30,236)	(24,130)	(30,236)	(24,130)
	998,237	986,791	998,237	986,791

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EXPLANATORY NOTES**27. INTEREST EXPENSE**

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	344,737	360,897	344,737	360,897
Deposits and placements of banks and other financial institutions	25,749	17,695	25,749	17,695
Subordinated bonds	9,878	9,850	9,878	9,850
Lease liabilities	494	522	494	522
Others	4,234	3,696	4,234	3,696
	385,092	392,660	385,092	392,660
Bank				
Deposits from customers	344,811	361,160	344,811	361,160
Deposits and placements of banks and other financial institutions	25,749	17,695	25,749	17,695
Subordinated bonds	9,878	9,850	9,878	9,850
Lease liabilities	811	952	811	952
Others	4,234	3,696	4,234	3,696
	385,483	393,353	385,483	393,353

28. OTHER OPERATING INCOME

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	67,039	92,948	67,039	92,948
Guarantee fees	18,762	18,433	18,762	18,433
Service charges and fees	51,093	43,040	51,093	43,040
Less: Fee expenses	(16,027)	(10,448)	(16,027)	(10,448)
	35,066	32,592	35,066	32,592
Commitment fees	7,424	7,716	7,424	7,716
Arrangement and participation fees	13,627	528	13,627	528
	141,918	152,217	141,918	152,217

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

Group (cont'd.)	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	RM'000	RM'000	RM'000	RM'000
<u>Trading and Investment income</u>				
Gain/(loss) from sale of financial assets at FVTPL	7,163	(7,890)	7,163	(7,890)
Unrealised gain/(loss) on financial assets at FVTPL	3,631	(1,422)	3,631	(1,422)
Loss from trading derivatives	(1,161)	(6,330)	(1,161)	(6,330)
Unrealised gain from trading derivatives	27,308	547	27,308	547
Unrealised gain on fair value hedge	2,571	7,104	2,571	7,104
Loss from sale of precious metal	(6,739)	(13,995)	(6,739)	(13,995)
Unrealised gain from sale of precious metal	7,111	14,885	7,111	14,885
Gain from sale/recovery of debt instruments at FVOCI	7,044	19,505	7,044	19,505
	46,928	12,404	46,928	12,404
<u>Other income</u>				
Foreign exchange gain, net	5,343	34,158	5,343	34,158
Rental income from operating leases	62	15	62	15
Gain on disposal of property, plant and equipment	-	277	-	277
Others	5,544	5,243	5,544	5,243
	10,949	39,693	10,949	39,693
	199,795	204,314	199,795	204,314

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

Bank	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	67,039	92,948	67,039	92,948
Guarantee fees	18,730	18,433	18,730	18,433
Service charges and fees	51,194	43,124	51,194	43,124
Less: Fee expenses	(16,027)	(10,448)	(16,027)	(10,448)
	35,167	32,676	35,167	32,676
Commitment fees	7,424	7,716	7,424	7,716
Arrangement and participation fees	13,627	528	13,627	528
	141,987	152,301	141,987	152,301
<u>Trading and Investment income</u>				
Gain/(loss) from sale of financial assets at FVTPL	7,163	(7,890)	7,163	(7,890)
Unrealised gain/(loss) on financial assets at FVTPL	3,631	(1,422)	3,631	(1,422)
Loss from trading derivatives	(1,161)	(6,330)	(1,161)	(6,330)
Unrealised gain from trading derivatives	27,308	547	27,308	547
Unrealised gain on fair value hedge	2,571	7,104	2,571	7,104
Loss from sale of precious metal	(6,739)	(13,995)	(6,739)	(13,995)
Unrealised gain from sale of previous metal	7,111	14,885	7,111	14,885
Gain from sale/recovery of debt instruments at FVOCI	7,044	19,505	7,044	19,505
	46,928	12,404	46,928	12,404
<u>Other income</u>				
Foreign exchange gain, net	5,343	34,158	5,343	34,158
Gain on disposal of property, plant and equipment	-	277	-	277
Others	5,452	5,243	5,452	5,243
	10,887	39,678	10,887	39,678
	199,802	204,383	199,802	204,383

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EXPLANATORY NOTES**29. OTHER OPERATING EXPENSES**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Personnel expenses	201,818	187,172	201,818	187,172
Establishment related expenses	103,474	91,355	103,474	91,355
Promotion and marketing related expenses	4,998	4,211	4,998	4,211
General administrative expenses	25,636	20,492	25,636	20,492
	335,926	303,230	335,926	303,230
<u>Personnel expenses</u>				
Wages, salaries and bonus	155,167	148,892	155,167	148,892
Defined contribution plan	24,263	23,359	24,263	23,359
Other employee benefits	22,388	14,921	22,388	14,921
	201,818	187,172	201,818	187,172
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	24,422	19,976	24,422	19,976
Depreciation of right-of-use assets	4,037	4,103	4,037	4,103
Information technology costs	54,475	47,958	54,475	47,958
Repair and maintenance	9,462	10,067	9,462	10,067
Others	11,078	9,251	11,078	9,251
	103,474	91,355	103,474	91,355
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	4,998	4,211	4,998	4,211
<u>General administrative expenses</u>				
Fees and commissions paid	7,287	3,401	7,287	3,401
Others	18,349	17,091	18,349	17,091
	25,636	20,492	25,636	20,492

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

Bank	First Quarter Ended		Three Months Ended	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	200,618	186,180	200,618	186,180
Establishment related expenses	102,668	93,266	102,668	93,266
Promotion and marketing related expenses	4,998	4,208	4,998	4,208
General administrative expenses	25,507	20,449	25,507	20,449
	333,791	304,103	333,791	304,103
<u>Personnel expenses</u>				
Wages, salaries and bonus	154,197	148,066	154,197	148,066
Defined contribution plan	24,120	23,233	24,120	23,233
Other employee benefits	22,301	14,881	22,301	14,881
	200,618	186,180	200,618	186,180
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	20,281	16,926	20,281	16,926
Depreciation of right-of-use assets	6,213	8,486	6,213	8,486
Information technology costs	54,475	47,958	54,475	47,958
Repair and maintenance	9,404	9,919	9,404	9,919
Others	10,785	9,977	10,785	9,977
	102,668	93,266	102,668	93,266
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	4,998	4,208	4,998	4,208
<u>General administrative expenses</u>				
Fees and commissions paid	7,227	3,363	7,227	3,363
Others	18,280	17,086	18,280	17,086
	25,507	20,449	25,507	20,449

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

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
a	Loans, advances and financing			
- Stage 1 ECL	(35,791)	645	(35,791)	645
- Stage 2 ECL	50,208	8,607	50,208	8,607
- Stage 3 ECL	37,202	50,146	37,202	50,146
	51,619	59,398	51,619	59,398
	Credit-impaired loans, advances and financing			
- written off	8,189	14,255	8,189	14,255
- recovered	(29,871)	(24,787)	(29,871)	(24,787)
	29,937	48,866	29,937	48,866
b	Other financial assets			
Placement with banks and other financial institutions, and other assets	(22,438)	5,819	(22,438)	5,819
Debt instruments measured at FVOCI	(237)	1,774	(237)	1,774
Debt instruments measured at AC	212	(1,524)	212	(1,524)
	(22,463)	6,069	(22,463)	6,069
c	Commitments and contingencies			
- Stage 1 ECL	3,842	9,136	3,842	9,136
- Stage 2 ECL	(683)	5,247	(683)	5,247
- Stage 3 ECL	662	(1,495)	662	(1,495)
	3,821	12,888	3,821	12,888
	Bank			
a	Loans, advances and financing			
- Stage 1 ECL	(35,791)	667	(35,791)	667
- Stage 2 ECL	50,208	8,607	50,208	8,607
- Stage 3 ECL	37,202	50,146	37,202	50,146
	51,619	59,420	51,619	59,420
	Credit-impaired loans, advances and financing			
- written off	8,189	14,255	8,189	14,255
- recovered	(29,871)	(24,787)	(29,871)	(24,787)
	29,937	48,888	29,937	48,888
b	Other financial assets			
Placement with banks and other financial institutions, and other assets	(21,932)	5,822	(21,932)	5,822
Debt instruments measured at FVOCI	(237)	1,774	(237)	1,774
Debt instruments measured at AC	212	(1,524)	212	(1,524)
	(21,957)	6,072	(21,957)	6,072
c	Commitments and contingencies			
- Stage 1 ECL	3,842	9,136	3,842	9,136
- Stage 2 ECL	(683)	5,247	(683)	5,247
- Stage 3 ECL	662	(1,495)	662	(1,495)
	3,821	12,888	3,821	12,888

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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"). Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies. MNC covers multinational corporations and 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. These include current accounts, deposits, lending, trade finance, structured finance, cash management, cross-border payments as well as investment banking services including principal advisor, lead manager and facility agent for the arrangement of both syndicated loans and Private Debt Securities ("PDS").

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.

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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 31 March 2022							
Operating income	400,477	313,281	64,815	73,666	852,239	(5,566)	846,673
Other operating expenses	(203,730)	(77,350)	(21,759)	(37,596)	(340,435)	4,509	(335,926)
Allowances for expected credit losses	(70,926)	59,112	-	18	(11,796)	501	(11,295)
Share of net profit of an associate	-	-	-	(576)	(576)	-	(576)
Profit before taxation	<u>125,821</u>	<u>295,043</u>	<u>43,056</u>	<u>35,512</u>	<u>499,432</u>	<u>(556)</u>	<u>498,876</u>
Income tax expense							<u>(154,615)</u>
							<u>344,261</u>

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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
Other information							
For period ended 31 March 2022							
Inter-segment operating income	41,618	(14,639)	(86,930)	65,517	5,566	(5,566)	-
Total depreciation	7,944	2,929	969	18,813	30,655	(2,197)	28,458
As at 31 March 2022							
Gross loans, advances and financing	54,396,921	35,761,540	-	270,113	90,428,574	(86,365)	90,342,209
Deposits from customers	65,760,413	31,587,235	-	(1,959)	97,345,689	(16,931)	97,328,758

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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 31 March 2021							
Operating income	428,774	295,744	59,288	51,102	834,908	(5,952)	828,956
Other operating expenses	(185,647)	(68,832)	(20,313)	(33,819)	(308,611)	5,381	(303,230)
Allowances for expected credit losses	(52,124)	(15,683)	-	(39)	(67,846)	23	(67,823)
Share of net profit of an associate	-	-	-	24	24	-	24
Profit before taxation	191,003	211,229	38,975	17,268	458,475	(548)	457,927
Income tax expense							(111,085)
							<u>346,842</u>

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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
Other information							
For period ended 31 March 2021							
Inter-segment operating income	68,997	(8,731)	(107,068)	52,754	5,952	(5,952)	-
Total depreciation	6,900	1,987	1,035	18,520	28,442	(4,363)	24,079
As at 31 December 2021							
Gross loans, advances and financing	54,532,043	35,156,027	-	367,806	90,055,876	(92,193)	89,963,683
Deposits from customers	64,982,305	32,115,658	-	2,502	97,100,465	(26,120)	97,074,345

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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 and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) issued on 3 May 2019.

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	10,809,327	10,809,327	10,878,365	10,878,365
Other reserves	90,321	185,636	(109,317)	(14,001)
Regulatory adjustments applied in the calculation of CET1 Capital	(541,993)	(532,345)	(909,839)	(899,615)
Total CET1/Tier 1 Capital	11,150,210	11,255,173	10,651,764	10,757,304
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,350,000	1,350,000	1,350,000	1,350,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	317,700	312,387	318,208	312,822
- General provisions	27,072	26,425	16,207	15,541
Regulatory adjustments applied in the calculation of Tier 2 Capital	86,731	86,731	-	-
Total Tier 2 Capital	1,781,503	1,775,543	1,684,415	1,678,363
Total Capital	12,931,713	13,030,716	12,336,179	12,435,667

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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	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
CET1/Tier 1 Capital	17.350%	17.740%	16.778%	17.171%
Total Capital	20.122%	20.538%	19.432%	19.850%

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

	Group		Bank	
	31-Mar-22	31-Dec-21	31-Mar-22	31-Dec-21
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	57,382,294	56,467,374	56,597,763	55,669,148
Total RWA for market risk	968,152	1,137,181	968,152	1,137,181
Total RWA for operational risk	5,917,214	5,840,780	5,919,171	5,843,126
	64,267,660	63,445,335	63,485,086	62,649,455

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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 31 March 2022	Principal amount RM'000	Group Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	3,682,340	3,583,543	2,668,366
Transaction-related contingent items	6,121,655	3,033,449	2,044,019
Short-term self-liquidating trade-related contingencies	655,200	135,369	84,890
Lending of banks' securities or the posting of securities as collateral by banks	660,239	4,421	428
Foreign exchange related contracts			
- not more than one year	47,186,413	863,478	181,482
- more than one year to less than five years	509,812	37,681	16,311
Interest rate related contracts			
- not more than one year	14,082,012	112,440	31,753
- more than one year to less than five years	34,302,671	1,258,626	484,781
- five years and above	1,351,786	147,335	168,407
Equity related contracts			
- not more than one year	62,760	-	-
- more than one year to less than five years	800	-	-
Commodity related contracts			
- not more than one year	374,818	85,219	34,810
Undrawn credit facility			
- not more than one year	19,322,856	1,489,325	289,944
- more than one year	6,318,325	4,301,045	2,365,909
- unconditionally cancellable	16,390,174	5,593,870	693,378
Other commitments	970,981	201,953	201,952
Total	151,992,842	20,847,754	9,266,430

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

As at 31 December 2021	Principal amount RM'000	Group Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	3,283,375	3,189,255	2,369,357
Transaction-related contingent items	6,050,045	3,001,739	2,059,927
Short-term self-liquidating trade-related contingencies	620,294	136,216	80,964
Lending of banks' securities or the posting of securities as collateral by banks	563,417	16,649	723
Foreign exchange related contracts			
- not more than one year	43,703,666	729,714	168,577
- more than one year to less than five years	338,754	28,112	11,370
Interest rate related contracts			
- not more than one year	17,383,220	140,160	73,134
- more than one year to less than five years	32,775,558	1,261,652	472,061
- five years and above	1,600,697	186,264	100,431
Equity related contracts			
- not more than one year	44,935	-	-
Commodity related contracts			
- not more than one year	313,096	50,241	23,086
Undrawn credit facility			
- not more than one year	18,968,168	895,675	150,388
- more than one year	6,644,725	4,577,876	2,845,756
- unconditionally cancellable	15,466,455	5,616,882	690,206
Other commitments	391,638	124,684	124,684
Total	148,148,043	19,955,119	9,170,664

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

As at 31 March 2022	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	3,682,340	3,583,543	2,668,366
Transaction-related contingent items	6,121,655	3,033,449	2,044,019
Short-term self-liquidating trade-related contingencies	655,200	135,369	84,890
Lending of banks' securities or the posting of securities as collateral by banks	660,239	4,421	428
Foreign exchange related contracts			
- not more than one year	47,186,413	863,478	181,482
- more than one year to less than five years	509,812	37,681	16,311
Interest rate related contracts			
- not more than one year	14,082,012	112,440	31,753
- more than one year to less than five years	34,302,671	1,258,626	484,781
- five years and above	1,351,786	147,335	168,407
Equity related contracts			
- not more than one year	62,760	-	-
- more than one year to less than five years	800	-	-
Commodity related contracts			
- not more than one year	374,818	85,219	34,810
Undrawn credit facility			
- not more than one year	19,322,854	1,489,325	289,944
- more than one year	6,318,325	4,301,045	2,365,909
- unconditionally cancellable	16,390,174	5,593,870	693,378
Other commitments	876,853	107,824	107,823
Total	151,898,712	20,753,625	9,172,301

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

As at 31 December 2021	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	3,283,375	3,189,255	2,369,357
Transaction-related contingent items	6,050,045	3,001,739	2,059,927
Short-term self-liquidating trade-related contingencies	620,294	136,216	80,964
Lending of banks' securities or the posting of securities as collateral by banks	563,417	16,649	723
Foreign exchange related contracts			
- not more than one year	43,703,666	729,714	168,577
- more than one year to less than five years	338,754	28,112	11,370
Interest rate related contracts			
- not more than one year	17,383,220	140,160	73,134
- more than one year to less than five years	32,775,558	1,261,652	472,061
- five years and above	1,600,697	186,264	100,431
Equity related contracts			
- not more than one year	44,935	-	-
Commodity related contracts			
- not more than one year	313,096	50,241	23,086
Undrawn credit facility			
- not more than one year	18,968,166	895,675	150,388
- more than one year	6,644,725	4,577,876	2,845,756
- unconditionally cancellable	15,466,455	5,616,882	690,206
Other commitments	285,019	18,063	18,064
Total	148,041,422	19,848,498	9,064,044

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

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EXPLANATORY NOTES

34. PERFORMANCE REVIEW

For the three months ended 31 March 2022, the Group recorded a profit before taxation of RM498.9 million, an increase of 8.9% or RM40.9 million compared to same period last year. The increase was due to higher operating income and lower total allowances for expected credit losses, partly offset by higher other operating expenses.

Total operating income increased by 2.1% or RM17.7 million to RM846.7 million from higher net interest income and net income from Islamic Banking operations, partly offset by lower other operating income. Other operating income decreased 2.4% or RM4.9 million to RM199.4 million mainly due to lower net foreign exchange gain and fee income, partly offset by higher trading and investment income.

Expenses increased by 10.8% or RM32.7 million to RM335.9 million driven by higher staff expenses, establishment related expenses and general administrative expenses.

Total allowances for expected credit losses decreased by RM56.5 million attributable to lower expected credit loss made for impaired assets as well as commitments and contingencies this year, coupled with write-back of expected credit loss on other financial assets.

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EXPLANATORY NOTES

35. PROSPECTS FOR 2022

The global economy is expected to continue its recovery path in 2022 as most countries progressively transition to endemic management of COVID-19. Policymakers have also started to normalise and adjust policy accommodation in line with the countries' economic recovery and inflation dynamics. However, given lingering uncertainties pertaining to potential new virus variants and rapidly evolving geopolitical uncertainties including the military conflict in Ukraine, which started in February, the risks to global growth are currently tilted to the downside. The transition towards a greener economic path may also lead to trade-offs between short-term growth and inflation in order to secure a more sustainable growth in the medium-term. These uncertainties have heightened global financial market volatility. The resultant global financial tightening amid adjustments in monetary policy in major economies could exacerbate the risks particularly for emerging market economies.

We expect Malaysia's gross domestic product (GDP) to improve in 2022 supported by both external and domestic drivers of growth. Malaysia's growth prospects are expected to benefit from the expansion in global demand that supports investment and trade activity. Domestic demand will be the main anchor of growth as the economy continues to normalise with the reopening of borders and further upliftment of restrictions. Higher national vaccination rates and better COVID-19 management strategies are expected to mitigate the risks from future resurgences. Higher adoption of digitalisation has facilitated more consumption and business activities. Key drivers for overall investment include post-pandemic shift towards automation and digitalisation, greater ESG adoption, continuation of infrastructure projects, and digital connectivity enhancements. Prospects for employment and income prospects have improved. The government continues to provide targeted support to vulnerable segments in 2022 including direct cash assistance, hiring incentives, EPF related measures, and incentives to spur higher quality investments. Main challenges to the outlook include COVID-19 pandemic developments, escalation of ongoing geopolitical conflicts, and elevated cost and price pressures.

We remain optimistic that Malaysia's underlying strengths, including its strategic geographical location, abundant natural resources, diversified economic structure, improved external position, favourable demographics, robust macro policies and resilient institutions will support the country's growth over the long term.

Looking ahead, we continue to stay focused and remain committed to serve our customers better.

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36. ISLAMIC BANKING OPERATIONS

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Note	31-Mar-22 RM'000	31-Dec-21 RM'000
Assets			
Cash and short-term funds	a	2,287,636	1,686,916
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	2,550,552	1,973,099
Debt Instruments at amortised cost ("AC")	c	95,992	98,974
Financing, advances and others	d	8,075,073	7,859,764
Other assets	e	27,400	4,167
Derivative financial assets	g	2,342	1,964
Plant and equipment		5,075	4,363
Deferred tax assets		12,970	10,993
Total assets		13,057,040	11,640,240
Liabilities and Islamic Banking funds			
Deposits from customers	h	4,482,076	5,134,316
Investment accounts due to designated financial institution	i	3,486,934	2,755,451
Deposits and placements of banks and other financial institutions	j	4,522,024	3,159,928
Bills and acceptances payable		13,827	599
Derivative financial liabilities	g	4,236	1,711
Other liabilities	k	53,685	121,786
Tax Payable		11,332	3,154
Total liabilities		12,574,114	11,176,945
Capital fund		450,000	450,000
Reserves		32,926	13,295
Islamic Banking funds	l	482,926	463,295
Total liabilities and Islamic Banking funds		13,057,040	11,640,240
Commitments and contingencies	t	3,568,309	2,780,689

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 2021.

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36. ISLAMIC BANKING OPERATIONS (cont'd.)**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2022**

	Note	First Quarter ended		Three months ended	
		31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Income derived from depositors' funds	m	64,708	55,138	64,708	55,138
Income derived from investment of Islamic Banking funds	n	4,915	5,860	4,915	5,860
Income derived from investment of Investment Account funds	o	24,476	11,954	24,476	11,954
(Allowances for)/write back of expected credit losses:					
Financing, advances and others	r	(1,117)	(10,926)	(1,117)	(10,926)
Other financial assets	r	(1,463)	(944)	(1,463)	(944)
Commitment and contingencies	r	1,472	432	1,472	432
Total attributable income		92,991	61,514	92,991	61,514
Income attributable to depositors	p	(40,502)	(32,226)	(40,502)	(32,226)
Income attributable to Investment Account holder	q	(19,216)	(9,563)	(19,216)	(9,563)
Total net income		33,273	19,725	33,273	19,725
Other operating expenses	s	(8,453)	(7,172)	(8,453)	(7,172)
Profit before taxation		24,820	12,553	24,820	12,553
Income tax income		(5,958)	(3,015)	(5,958)	(3,015)
Profit after taxation		18,862	9,538	18,862	9,538

Other comprehensive income:

Other comprehensive income to be reclassified to profit or loss in subsequent periods:

Net fair value change in debt instruments at fair value through other comprehensive income		1,012	(1,017)	1,012	(1,017)
Income tax effect		(243)	244	(243)	244
Total other comprehensive income for the period, net of tax		769	(773)	769	(773)
Total comprehensive income for the period		19,631	8,765	19,631	8,765

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE PERIOD ENDED 31 MARCH 2022**

	First Quarter ended		Three months ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Income derived from depositors' funds	64,708	55,138	64,708	55,138
Income derived from investment of Islamic Banking funds	4,915	5,860	4,915	5,860
Income derived from investment of Investment Account funds	24,476	11,954	24,476	11,954
Income attributable to depositors	(40,502)	(32,226)	(40,502)	(32,226)
Income attributable to Investment Account holder	(19,216)	(9,563)	(19,216)	(9,563)
Net income from Islamic Banking operations reported in the income statements of the Group and Bank	34,381	31,163	34,381	31,163

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 2021.

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 31 MARCH 2022**

	Capital fund RM'000	Fair value through other comprehensive RM'000	Accumulated profit RM'000	Total RM'000
2022				
At 1 January 2022	450,000	(966)	14,261	463,295
Profit for the period	-	-	18,862	18,862
Other comprehensive income	-	769	-	769
Total comprehensive income	-	769	18,862	19,631
At 31 March 2022	450,000	(197)	33,123	482,926

	Capital fund RM'000	Fair value through other comprehensive RM'000	Accumulated profit/ (losses) RM'000	Total RM'000
2021				
At 1 January 2021	450,000	262	6,311	456,573
Profit for the period	-	-	9,538	9,538
Other comprehensive income	-	(773)	-	(773)
Total comprehensive income	-	(773)	9,538	8,765
At 31 March 2021	450,000	(511)	15,849	465,338

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 2021.

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2022**

	31-Mar-22	31-Mar-21
	RM'000	RM'000
Profit before taxation	24,820	12,553
Adjustments for non-operating and non-cash items	1,555	13,686
Operating profit before working capital changes	26,375	26,239
Changes in working capital:		
Net changes in operating assets	(240,037)	(382,785)
Net changes in operating liabilities	1,390,463	1,539,717
Net cash generated from operating activities	1,176,801	1,183,171
Net cash used in investing activities	(576,081)	(857,192)
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	600,720	325,979
Cash and cash equivalents at beginning of the period	1,686,916	1,126,268
Cash and cash equivalents at end of the period	2,287,884	1,452,247
Analysis of cash and cash equivalents		
Cash and short term funds	2,287,884	1,452,247
Less: Allowances for ECL	(248)	(1,987)
	2,287,636	1,450,260

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 2021.

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

a. Cash and short-term funds

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Cash and balances with banks and other financial institutions	846,884	680,902
Money at call and deposit placements maturing within one month	1,441,000	1,007,000
Less: Allowances for ECL	(248)	(986)
	<u>2,287,636</u>	<u>1,686,916</u>

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Money market instruments		
Government Islamic investment	<u>2,550,552</u>	<u>1,973,099</u>

c. Debt Instruments at Amortised Cost ("AC")

	31-Mar-22	31-Dec-21
Private debt securities of companies incorporated In Malaysia		
Unquoted corporate bonds	96,000	99,000
Less: Allowances for ECL	(8)	(26)
	<u>95,992</u>	<u>98,974</u>

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

d. Financing, advances and others

(i) Financing by type of Shariah contract:

31 March 2022

	Sale based contracts			Total RM'000
	<i>Tawarruq</i> RM'000	<i>Murabahah</i> RM'000	<i>Bai Al-Dayn</i> RM'000	
Term financing and revolving credits				
- Housing financing	3,070,495	-	-	3,070,495
- Others term financing	5,025,987	-	-	5,025,987
Trust receipt	-	10,203	-	10,203
Claim on customers under acceptance credit	-	134,057	422	134,479
Gross financing, advances and others	8,096,482	144,260	422	8,241,164
Allowances for ECL on financing, advances and others				
Stage 1 - 12 month ECL				(21,188)
Stage 2 - Lifetime ECL non impaired				(37,761)
Stage 3 - Lifetime ECL credit impaired				(107,142)
Net financing, advances and others				8,075,073

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

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

(i) Financing by type of Shariah contract (cont'd):

31 December 2021

	Sale based contracts			Total RM'000
	<i>Tawarruq</i> RM'000	<i>Murabahah</i> RM'000	<i>Bai Al-Dayn</i> RM'000	
Term financing and revolving credits				
- Housing financing	2,971,221	-	-	2,971,221
- Others term financing	4,920,719	-	-	4,920,719
Trust receipt	-	11,407	-	11,407
Claim on customers under acceptance credit	-	116,844	422	117,266
Gross financing, advances and others	7,891,940	128,251	422	8,020,613
Allowances for ECL on financing, advances and others				
Stage 1 - 12 month ECL				(16,663)
Stage 2 - Lifetime ECL non impaired				(38,497)
Stage 3 - Lifetime ECL credit impaired				(105,689)
Net financing, advances and others				7,859,764

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 31 March 2022, the gross exposure and expected credit loss relating to RSIA financing amounted to RM2,230,158,412 (31 December 2021: RM2,149,834,281) and RM30,525,862 (31 December 2021: RM21,078,898) respectively.

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

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

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Maturing within one year	748,549	644,691
One year to three years	135,025	214,329
Three years to five years	2,110,913	1,929,348
Over five years	5,246,677	5,232,245
	<u>8,241,164</u>	<u>8,020,613</u>

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Domestic non-banking financial institutions		
- others	1,030,957	1,023,164
Domestic business enterprises		
- small medium enterprises	1,873,723	1,881,633
- others	2,020,945	1,903,068
Individuals	3,172,432	3,067,824
Foreign entities	143,107	144,924
	<u>8,241,164</u>	<u>8,020,613</u>

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Fixed rate		
- other fixed rate financing	1,393,672	1,371,338
Variable rates		
- base rate/base financing rate-plus	4,489,638	4,361,157
- cost-plus	2,357,854	2,288,118
	<u>8,241,164</u>	<u>8,020,613</u>

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

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

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Agriculture	292,419	321,952
Mining and quarrying	88,444	90,303
Manufacturing	1,147,252	1,162,244
Electricity, gas and water	292,490	250,684
Construction	458,188	461,685
Wholesale, retail trade, restaurants and hotels	962,793	888,993
Transport, storage and communication	160,264	124,830
Finance, insurance and business services	1,214,837	1,201,400
Real estate	273,683	272,041
Community, social and personal services	35,256	33,731
Households		
- purchase of residential properties	3,078,375	2,979,193
- purchase of non residential properties	173,666	170,186
- others	63,497	63,371
	<u>8,241,164</u>	<u>8,020,613</u>

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
As at 1 January	197,207	75,903
Classified as impaired during the period	14,665	138,292
Amount recovered	(3,861)	(9,863)
Reclassified as non credit impaired	(2,471)	(931)
Amount written off	(511)	(6,194)
As at 31 March / 31 December	<u>205,029</u>	<u>197,207</u>
Allowance for ECL on credit impaired	(107,142)	(105,689)
Net impaired financing, advances and others	<u>97,887</u>	<u>91,518</u>

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

<u>1.2%</u>	<u>1.1%</u>
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36. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

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

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Mining and quarrying	81,750	81,750
Manufacturing	17,434	18,544
Construction	3,429	3,348
Wholesale, retail trade, restaurants and hotels	12,782	10,040
Transport, storage and communication	3,316	3,315
Finance, insurance and business services	677	680
Households		
- purchase of residential properties	83,130	78,045
- purchase of non-residential properties	2,159	1,342
- others	353	143
	<u>205,029</u>	<u>197,207</u>

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
In Malaysia	<u>205,029</u>	<u>197,207</u>

e. Other assets

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Other receivables, deposits and prepayments	13,465	213
Profit receivables	16,171	3,957
Less: Allowance for ECL	(2,236)	(3)
	<u>27,400</u>	<u>4,167</u>

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

f. Movements in the allowances for expected credit losses

(a) Other financial assets:

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 months ECL RM'000	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
As at 1 January 2022	1,423	1	-	1,424
<u>Movements with P&L impact:</u>				
New/additional during the period	2,303	581	-	2,884
Maturity/settlement/reduction during the period	(1,421)	-	-	(1,421)
As at 31 March 2022	<u>2,305</u>	<u>582</u>	<u>-</u>	<u>2,887</u>
As at 1 January 2021	1,615	2	-	1,617
<u>Movements with P&L impact:</u>				
New/additional during the year	2,001	-	-	2,001
Write-back for the financial year	(2,193)	(1)	-	(2,194)
As at 31 December 2021	<u>1,423</u>	<u>1</u>	<u>-</u>	<u>1,424</u>

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

f. Movements in loss allowances for expected credit losses (cont'd)

(b) Contingent liabilities and commitments

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
As at 1 January 2022	12,703	4,140	-	16,843
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	5	(31)	-	(26)
Transferred to Stage 2	(526)	564	-	38
New/additional during the period	5,629	123	-	5,752
Maturity/settlement/reduction during the period	(2,220)	(742)	-	(2,962)
As at 31 March 2022	<u>15,591</u>	<u>4,054</u>	<u>-</u>	<u>19,645</u>
As at 1 January 2021	5,148	2,865	-	8,013
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	669	(2,322)	-	(1,653)
Transferred to Stage 2	(553)	694	-	141
New/additional during the year	12,946	3,945	-	16,891
Maturity/settlement/reduction during the year	(5,508)	(1,045)	-	(6,553)
Foreign translation gain	1	3	-	4
As at 31 December 2021	<u>12,703</u>	<u>4,140</u>	<u>-</u>	<u>16,843</u>

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

f. Movements in loss allowances for expected credit losses (cont'd)

(c) Financing, advances and others

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
As at 1 January 2022	16,663	38,497	105,689	160,849
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	328	(3,266)	-	(2,938)
Transferred to Stage 2	(897)	3,454	(662)	1,895
Transferred to Stage 3	(10)	(201)	1,964	1,753
New/additional during the period	6,304	3,014	2,302	11,620
Maturity/settlement/reduction during the period	(1,200)	(3,737)	(1,114)	(6,051)
	4,525	(736)	2,490	6,279
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(600)	(600)
Other movements	-	-	(437)	(437)
As at 31 March 2022	21,188	37,761	107,142	166,091
As at 1 January 2021	20,975	34,732	20,684	76,391
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	2,642	(19,561)	(28)	(16,947)
Transferred to Stage 2	(3,749)	8,420	(38)	4,633
Transferred to Stage 3	(248)	(1,657)	89,451	87,546
New/additional during the year	13,430	33,652	4,840	51,922
Maturity/settlement/reduction during the year	(16,387)	(17,089)	(1,242)	(34,718)
	(4,312)	3,765	92,983	92,436
Amounts written off	-	-	(6,786)	(6,786)
Other movements	-	-	(1,192)	(1,192)
As at 31 December 2021	16,663	38,497	105,689	160,849

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**36. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES****g. Financial Derivatives**

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 Bank customise derivatives to meet specific needs of their customers. The Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While 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 value of the derivatives are as follows:

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 March 2022			
Foreign exchange contracts			
- forwards	554,052	2,342	2,732
- interest rate swaps	412,160	-	1,504
		2,342	4,236

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2021			
Foreign exchange contracts			
- forwards	392,992	1,964	1,135
- interest rate swaps	362,880	-	576
		1,964	1,711

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

h. Deposits from customers

(i) By type of deposits:

	31-Mar-22	31-Dec-21
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	636,970	728,088
Savings deposits		
- Qard	62,376	58,384
Fixed deposits		
- Tawarruq	3,048,709	3,752,842
Other deposits		
- Tawarruq	734,021	595,002
	<u>4,482,076</u>	<u>5,134,316</u>

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Due within six months	467,285	1,823,430
Six months to one year	2,408,965	1,757,540
One year to three years	620	171,833
Three years to five years	171,839	39
	<u>3,048,709</u>	<u>3,752,842</u>

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Business enterprises	1,443,161	1,565,711
Individuals	2,103,665	2,676,861
Others	935,250	891,744
	<u>4,482,076</u>	<u>5,134,316</u>

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

i. Investment accounts due to designated financial institutions

	31-Mar-22	31-Dec-21
	RM'000	RM'000
<u>Mudharabah RSIA</u>		
Licensed bank	3,517,460	2,776,530
Amount receivable from Conventional Bank	(30,526)	(21,079)
	<u>3,486,934</u>	<u>2,755,451</u>

j. Deposits and placements of banks and other financial institutions

	31-Mar-22	31-Dec-21
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	<u>4,522,024</u>	<u>3,159,928</u>

k. Other liabilities

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Allowance for ECL for commitment and contingencies	19,645	16,843
Accrued profit payable	25,324	102,279
Accruals and provisions for operational expenses	8,716	2,664
	<u>53,685</u>	<u>121,786</u>

l. Islamic Banking funds

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Capital fund	450,000	450,000
Fair value through other comprehensive income reserve	(197)	(966)
Accumulated profit	33,123	14,261
	<u>482,926</u>	<u>463,295</u>

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

m. Income derived from depositors' funds

	First Quarter ended		Three months ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	42,931	39,464	42,931	39,464
Money at call and deposit placements with financial institutions	4,240	2,630	4,240	2,630
FVOCI securities	11,735	4,407	11,735	4,407
	58,907	46,501	58,907	46,501
<u>Other operating income</u>				
Trading income	818	464	818	464
Commission income	1,280	1,714	1,280	1,714
Fee income	3,669	6,412	3,669	6,412
Others	34	47	34	47
	64,708	55,138	64,708	55,138

n. Income derived from investment of Islamic Banking funds

	First Quarter ended		Three months ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	3,248	4,193	3,248	4,193
Money at call and deposit placements with financial institutions	325	279	325	279
FVOCI securities	893	468	893	468
	4,465	4,940	4,465	4,940
<u>Other operating income</u>				
Trading income	62	49	62	49
Commission income	96	182	96	182
Fee income	289	684	289	684
Others	3	5	3	5
	4,915	5,860	4,915	5,860

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

o. Income derived from investment of Investment Account funds

	First Quarter ended		Three months ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Financing, advances and others	20,946	11,538	20,946	11,538
Money at call and deposit placements with financial institutions	3,530	416	3,530	416
FVOCI securities	-	-	-	-
	24,476	11,954	24,476	11,954

p. Income attributable to depositors

	First Quarter ended		Three months ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Income attributable to depositors from non-mudharabah fund	40,502	32,226	40,502	32,226

q. Income attributable to Investment Account holder

	First Quarter ended		Three months ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Income attributable to depositor from mudharabah fund	19,216	9,563	19,216	9,563

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

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

	First Quarter ended		Three months ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Allowances for/ (writeback of) impairment on financing, advances and others				
Stage 1 ECL	4,525	1,080	4,525	1,080
Stage 2 ECL	(736)	10,776	(736)	10,776
Stage 3 ECL	2,490	1,750	2,490	1,750
Movement in ECL for RSIA holder*	(5,173)	(2,706)	(5,173)	(2,706)
	1,106	10,900	1,106	10,900
Credit-impaired financing, advances and others				
- written off	17	26	17	26
- recovered	(6)	-	(6)	-
	1,117	10,926	1,117	10,926
Other financial assets				
Stage 1 ECL	882	630	882	630
Stage 2 ECL	581	314	581	314
	1,463	944	1,463	944
Commitment and contingencies				
Stage 1 ECL	2,888	3,736	2,888	3,736
Stage 2 ECL	(86)	370	(86)	370
Movement in ECL for RSIA holder*	(4,274)	(4,538)	(4,274)	(4,538)
	(1,472)	(432)	(1,472)	(432)
Total	1,108	11,438	1,108	11,438

*The RSIA holder is the Conventional Banking

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**36. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES****s. Other operating expenses**

	First Quarter ended		Three months ended	
	31-Mar-22 RM'000	31-Mar-21 RM'000	31-Mar-22 RM'000	31-Mar-21 RM'000
Personnel expenses	712	686	712	686
Establishment related expenses	1,053	677	1,053	677
Promotion and marketing related expenses	35	1	35	1
General administrative expenses	6,653	5,808	6,653	5,808
	8,453	7,172	8,453	7,172
Personnel expenses				
- Wages, salaries and bonus	568	538	568	538
- Defined contribution plan	91	86	91	86
- Other employee benefits	53	62	53	62
	712	686	712	686
Establishment related expenses				
- Depreciation of property, plant and equipment	212	216	212	216
- Repair and maintenance	1	1	1	1
- Information technology costs	300	240	300	240
- Others	540	220	540	220
	1,053	677	1,053	677
Promotion and marketing related expenses				
- Advertisement and publicity	35	1	35	1
General administrative expenses				
- Fees and commissions paid	61	49	61	49
- Management fee	6,291	5,740	6,291	5,740
- Others	301	19	301	19
	6,653	5,808	6,653	5,808

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

t. 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 31 March 2022			
Direct credit substitutes	146,763	146,763	283,101
Transaction-related contingent items	195,492	98,235	163,008
Short-term self-liquidating trade-related contingencies	8,527	1,705	1,048
Foreign exchange related contracts			
- less than one year	540,783	10,094	5,166
- more than one year to less than five years	13,268	1,048	733
Profit rate related contracts			
- more than one year to less than five years	412,160	5,122	3,007
Undrawn credit facility			
- less than one year	229,045	7,962	2,807
- more than one year	947,474	679,709	316,719
- unconditionally cancellable	1,074,796	-	-
Total	3,568,309	950,638	775,589
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2021			
Direct credit substitutes	146,542	146,542	281,909
Transaction-related contingent items	158,716	79,458	152,484
Short-term self-liquidating trade-related contingencies	1,564	313	178
Foreign exchange related contracts			
- less than one year	378,843	6,165	3,699
- more than one year to less than five years	14,149	1,047	733
Profit rate related contracts			
- more than one year to less than five years	362,880	4,629	2,708
Undrawn credit facility			
- less than one year	224,833	7,231	2,534
- more than one year	1,011,585	727,874	353,527
- unconditionally cancellable	481,577	-	-
Total	2,780,689	973,259	797,772

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

u. Capital management and capital adequacy

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Accumulated profit	14,261	14,261
Other reserves	(197)	(966)
Regulatory adjustments applied in the calculation of CET1 Capital	(13,656)	(11,130)
Total CET1/Tier 1 Capital	450,408	452,165
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	19,384	18,426
- General provisions	162	122
Total Tier 2 Capital	19,546	18,548
Total Capital	469,954	470,713

(a) The capital adequacy ratios are as follows:

	31-Mar-22	31-Dec-21
Before the effects of RSIA		
CET1/Tier 1 Capital	7.915%	8.182%
Total Capital	8.498%	8.766%
After the effects of RSIA		
CET1/Tier 1 Capital	13.156%	13.965%
Total Capital	13.727%	14.538%

In accordance with BNM's Guidelines on the Investment Account, the credit risk and market risks weighted assets funded by the RSIA which qualify as risk absorbent are excluded from the calculation of capital adequacy ratio. As at 31 March 2022, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM2,266,559 (31 December 2021: RM2,288,873,000).

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

u. Capital management and capital adequacy (cont'd.)

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

	31-Mar-22	31-Dec-21
	RM'000	RM'000
Total RWA for credit risk	3,243,597	3,080,652
Total RWA for market risk	7,894	661
Total RWA for operational risk	172,199	156,436
	<u>3,423,690</u>	<u>3,237,749</u>