

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2023

Domiciled in Malaysia
Registered Office:
Level 22, UOB Plaza 1
No. 7, 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 2023**

	Note	Group		Bank	
		31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 RM'000
ASSETS					
Cash and short-term funds	11	5,479,556	7,690,591	5,479,556	7,690,591
Securities purchased under resale agreements		220,260	333,751	220,260	333,751
Financial assets at fair value through profit or loss ("FVTPL")	12	6,842,081	8,193,160	6,842,081	8,193,160
Debt instruments at fair value through other comprehensive income ("FVOCI")	13	22,603,861	20,167,367	22,603,861	20,167,367
Equity instruments at fair value through other comprehensive income ("FVOCI")	14	153,711	153,681	153,711	153,681
Debt Instruments at amortised cost	15	9,335,496	7,937,593	9,335,496	7,937,593
Loans, advances and financing	16	102,872,137	103,108,949	102,955,227	103,195,366
Derivative financial assets	17	1,445,081	1,623,534	1,445,081	1,623,534
Other assets	18	1,014,570	1,576,798	1,026,507	1,581,892
Statutory deposits with Bank Negara Malaysia		1,731,494	1,815,933	1,731,494	1,815,933
Investment in subsidiaries		-	-	570,020	570,020
Investment in an associate		418	418	4,759	4,758
Property, plant and equipment		1,354,804	1,307,789	590,057	535,357
Right-of-use assets		89,499	93,166	520,764	134,964
Intangible Assets	19	462,422	480,157	462,422	480,157
Deferred tax assets		318,869	361,850	301,732	344,713
TOTAL ASSETS		153,924,259	154,844,737	154,243,028	154,762,837
LIABILITIES					
Deposits from customers	20	111,559,604	110,884,809	111,589,760	110,900,274
Deposits and placements of banks and other financial institutions	21	17,214,546	16,338,616	17,214,546	16,338,616
Obligations on securities sold under repurchase agreements		3,619,660	5,523,321	3,619,660	5,523,321
Bills and acceptances payable		225,456	239,443	225,456	239,443
Derivative financial liabilities	17	1,261,410	2,287,130	1,261,410	2,287,130
Other liabilities	22	4,482,457	4,563,668	4,443,942	4,521,899
Lease liabilities		95,908	98,970	526,716	145,038
Tax payable		181,231	223,311	180,992	224,441
Subordinated bonds	23	2,348,542	2,346,727	2,348,542	2,346,727
Deferred tax liabilities		31,732	31,732	-	-
TOTAL LIABILITIES		141,020,546	142,537,727	141,411,024	142,526,889

Company No. 199301017069 (271809K)

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)
AS AT 31 MARCH 2023**

		Group		Bank	
	Note	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
		RM'000	RM'000	RM'000	RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		792,555	792,555	792,555	792,555
Reserves		12,111,158	11,514,455	12,039,449	11,443,393
TOTAL EQUITY		12,903,713	12,307,010	12,832,004	12,235,948
TOTAL LIABILITIES AND EQUITY		153,924,259	154,844,737	154,243,028	154,762,837
COMMITMENTS AND CONTINGENCIES	32	241,745,665	232,548,810	241,745,665	232,548,810

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 2022.

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

Group	Note	First Quarter Ended		Three Months Ended	
		31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Operating revenue	24	2,169,293	1,250,358	2,169,293	1,250,358
Interest income	25	1,591,736	997,589	1,591,736	997,589
Interest expense	26	(851,756)	(385,092)	(851,756)	(385,092)
Net interest income		739,980	612,497	739,980	612,497
Net income from Islamic					
Banking operations	35	36,688	34,381	36,688	34,381
Other operating income	27	413,143	199,795	413,143	199,795
Operating income		1,189,811	846,673	1,189,811	846,673
Other operating expenses	28	(604,975)	(335,926)	(604,975)	(335,926)
Operating profit before allowance for expected credit losses		584,836	510,747	584,836	510,747
Write-back of/(allowance for) expected credit losses ("ECL") on:					
Loans, advances and financing	29	(11,437)	(29,937)	(11,437)	(29,937)
Other financial assets	29	31,237	22,463	31,237	22,463
Commitments and contingencies	29	13,648	(3,821)	13,648	(3,821)
		618,284	499,452	618,284	499,452
Share of results of an associate		-	(576)	-	(576)
Profit before taxation		618,284	498,876	618,284	498,876
Income tax expense		(147,481)	(154,615)	(147,481)	(154,615)
Profit for the period attributable to equity holders of the Bank		470,803	344,261	470,803	344,261
Basic/diluted earnings per share (sen)		100.2	73.2	100.2	73.2

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2022.

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UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

Bank	Note	First Quarter Ended		Three Months Ended	
		31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Operating revenue	24	2,170,168	1,251,012	2,170,168	1,251,012
Interest income	25	1,592,669	998,237	1,592,669	998,237
Interest expense	26	(858,836)	(385,483)	(858,836)	(385,483)
Net interest income		733,833	612,754	733,833	612,754
Net income from Islamic					
Banking operations	35	36,688	34,381	36,688	34,381
Other operating income	27	413,085	199,802	413,085	199,802
Operating income		1,183,606	846,937	1,183,606	846,937
Other operating expenses	28	(601,218)	(333,791)	(601,218)	(333,791)
Operating profit before allowance for ECL		582,388	513,146	582,388	513,146
Allowance for/write-back of ECL on:					
Loans, advances and financing	29	(11,332)	(29,937)	(11,332)	(29,937)
Other financial assets	29	31,233	21,957	31,233	21,957
Commitments and contingencies	29	13,648	(3,821)	13,648	(3,821)
Profit before taxation		615,937	501,345	615,937	501,345
Income tax expense		(145,781)	(153,870)	(145,781)	(153,870)
Profit for the period attributable to equity holders of the Bank		470,156	347,475	470,156	347,475
Basic/diluted earnings per share (sen)		100.0	73.9	100.0	73.9

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 2022.

Company No. 199301017069 (271809K)

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 2023**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Profit for the period	470,803	344,261	470,803	344,261
<i>Other comprehensive income/(loss):</i>				
<u>Items that will be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	165,686	(125,178)	165,686	(125,178)
Income tax effect	(39,809)	30,043	(39,809)	30,043
	125,877	(95,135)	125,877	(95,135)
<u>Items that will not be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	30	(237)	30	(237)
Income tax effect	(7)	57	(7)	57
	23	(180)	23	(180)
Total other comprehensive loss for the period, net of tax	125,900	(95,315)	125,900	(95,315)
Total comprehensive income for the period attributable to equity holders	596,703	248,946	596,703	248,946

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 2022.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	First Quarter Ended		Three Months Ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Bank				
Profit for the period	470,156	347,475	470,156	347,475
<i>Other comprehensive (loss)/income:</i>				
<u>Items that will be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	165,686	(125,178)	165,686	(125,178)
Income tax effect	(39,809)	30,043	(39,809)	30,043
	125,877	(95,135)	125,877	(95,135)
<u>Items that will not be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	30	(237)	30	(237)
Income tax effect	(7)	57	(7)	57
	23	(180)	23	(180)
Total other comprehensive loss for the period, net of tax	125,900	(95,315)	125,900	(95,315)
Total comprehensive income for the period attributable to equity holders	596,056	252,160	596,056	252,160

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 2022.

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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 2023**

GROUP	← Non-distributable →			Distributable	Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	
2023	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	792,555	233,495	(166,561)	11,447,521	12,307,010
Profit for the period	-	-	-	470,803	470,803
Gain on disposal on equity	-	-	-	-	-
Other comprehensive loss for the period	-	-	125,900	-	125,900
Total comprehensive (losses)/income for the period	-	-	125,900	470,803	596,703
Balance as at 31 March 2023	792,555	233,495	(40,661)	11,918,324	12,903,713

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CONDENSED INTERIM FINANCIAL STATEMENTS
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

GROUP (cont'd.)	← Non-distributable →			Distributable	
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	Total
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 loss for the period	-	-	(95,315)	-	(95,315)
Total comprehensive (losses)/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 2022.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

BANK	Non-distributable		Distributable	Total
	Share capital	Fair value through other comprehensive income reserve	Retained profits	
2023	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	792,555	(173,464)	11,616,857	12,235,948
Profit for the period	-	-	470,156	470,156
Gain on disposal on equity	-	-	-	-
Other comprehensive loss for the period	-	125,900	-	125,900
Total comprehensive (losses)/income for the period	-	125,900	470,156	596,056
Balance as at 31 March 2023	792,555	(47,564)	12,087,013	12,832,004

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 2022.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

BANK (cont'd.)

	Share capital	Non-distributable Fair value through other comprehensive income reserve	Distributable Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
2022				
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 loss for the period	-	(95,315)	-	(95,315)
Total comprehensive (losses)/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 2022.

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 2023**

	Group		Bank	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Profit before taxation	618,284	498,876	615,937	501,345
Adjustments for non-operating and non-cash items	(473,251)	(116,610)	(467,271)	(118,645)
Operating profit before working capital changes	145,033	382,266	148,666	382,700
Changes in working capital:				
Net changes in operating assets	2,555,129	(1,013,846)	2,551,712	(1,020,281)
Net changes in operating liabilities	(1,296,847)	2,388,988	(1,278,902)	2,381,625
Tax expense paid	(186,396)	(102,148)	(186,065)	(100,896)
Net cash generated from operating activities	1,216,919	1,655,260	1,235,411	1,643,148
Net cash (used in)/generated from investing activities	(3,422,026)	680,866	(3,421,915)	692,978
Net cash used in financing activities	(6,173)	(2,571)	(24,776)	(2,571)
Net (decrease)/increase in cash and cash equivalents	(2,211,280)	2,333,555	(2,211,280)	2,333,555
Cash and cash equivalents at beginning of the period	7,696,923	10,094,057	7,696,923	10,094,057
Cash and cash equivalents at end of the period	5,485,643	12,427,612	5,485,643	12,427,612
Analysis of cash and cash equivalents				
Cash and short-term funds	5,485,643	11,927,612	5,485,643	11,927,612
Deposits and placements with financial institutions	-	500,000	-	500,000
	5,485,643	12,427,612	5,485,643	12,427,612
Less: Allowance for expected credit losses	(6,087)	(6,130)	(6,087)	(6,130)
	5,479,556	12,421,482	5,479,556	12,421,482

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 2022.

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 2022. 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 2022.

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 2022, 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 2023:

Amendments to MFRS 1, MFRS 9, MFRS 141, MFRS 3, MFRS 116, MFRS 137 and Annual Improvements to MFRS Standards 2018-2020

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)

Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 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 beginning on or after 1 January 2024

Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 Leases)

Non-current Liabilities with Covenants (Amendments to MFRS 101 Presentation of Financial Statements)

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 2022 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 2023.

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 2023.

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 2023.

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 2022.

8. DIVIDENDS

There was no proposed dividend for the financial year ended 31 December 2022.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

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

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period ended 31 March 2023.

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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	31-Mar-23	31-Dec-22
	RM'000	RM'000
Cash and balances with banks and other financial institutions	2,775,698	3,253,289
Money at call and deposit placements maturing within one month	2,709,945	4,443,634
	5,485,643	7,696,923
Less: Allowance for ECL	(6,087)	(6,332)
	5,479,556	7,690,591

Movements in the allowance for ECL on cash and short-term funds are as follows:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	Total ECL
	RM'000	RM'000	RM'000	RM'000
Group and Bank 2023				
At 1 January	6,332	-	-	6,332
Allowance made	3,721	-	-	3,721
Maturity/settlement/repayment	(3,966)	-	-	(3,966)
	(245)	-	-	(245)
At 31 March	6,087	-	-	6,087
2022				
At 1 January	30,833	-	-	30,833
Allowance made	7,328	-	-	7,328
Maturity/settlement/repayment	(31,829)	-	-	(31,829)
	(24,501)	-	-	(24,501)
At 31 December	6,332	-	-	6,332

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

	Group and Bank	
	31-Mar-23	31-Dec-22
	RM'000	RM'000
Money market instruments		
Malaysian Government treasury bills	784,193	896,067
Negotiable instruments of deposits	3,810,196	4,799,896
	4,594,389	5,695,963
Unquoted securities in Malaysia		
Cagamas bonds	873,602	571,926
Private debt securities	1,374,090	1,925,271
	2,247,692	2,497,197
Total financial assets at FVTPL	6,842,081	8,193,160

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EXPLANATORY NOTES

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

	Group and Bank	
	31-Mar-23	31-Dec-22
	RM'000	RM'000
Money market instruments		
Malaysian Government securities	13,422,105	14,568,367
Negotiable instruments of deposits	6,059,720	2,199,855
	19,481,825	16,768,222
Unquoted securities in Malaysia		
Cagamas bonds	1,246,186	1,241,815
Private debt securities	1,875,850	2,157,330
	3,122,036	3,399,145
Total debt instruments at FVOCI	22,603,861	20,167,367

Movements in the allowance for ECL on debt instruments at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	
Group and Bank 2023	RM'000	RM'000	RM'000	RM'000
At 1 January	4,009	-	39,960	43,969
Allowance made	41,232	-	-	41,232
Maturity/settlement/repayment	(41,142)	-	-	(41,142)
	90	-	-	90
At 31 March	4,099	-	39,960	44,059
2022				
At 1 January	12,213	-	39,960	52,173
Allowance made	2,614	-	-	2,614
Maturity/settlement/repayment	(10,818)	-	-	(10,818)
	(8,204)	-	-	(8,204)
At 31 December	4,009	-	39,960	43,969

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EXPLANATORY NOTES

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

	Group and Bank	
	31-Mar-23	31-Dec-22
	RM'000	RM'000
Quoted securities		
Shares of corporations in Malaysia	954	924
Unquoted securities		
Shares of corporations in Malaysia	152,757	152,757
	<u>153,711</u>	<u>153,681</u>

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

	Group and Bank	
	31-Mar-23	31-Dec-22
	RM'000	RM'000
Money market instruments		
Malaysian Government securities	7,920,092	6,654,658
Less: Allowance for ECL	(1,202)	(1,010)
	<u>7,918,890</u>	<u>6,653,648</u>
Private debt securities of companies incorporated in Malaysia		
Unquoted corporate bonds	1,417,523	1,307,850
Less: Allowance for ECL	(917)	(23,905)
	<u>1,416,606</u>	<u>1,283,945</u>
Total debt instruments at AC	<u>9,335,496</u>	<u>7,937,593</u>

Movements in the allowance for ECL on debt instruments at AC are as follows:

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	non credit-	credit-	Total ECL
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
Group and Bank 2023				
At 1 January	24,915	-	-	24,915
Allowance write-back	(22,796)	-	-	(22,796)
At 31 March	<u>2,119</u>	<u>-</u>	<u>-</u>	<u>2,119</u>
2022				
At 1 January	1,775	-	-	1,775
Allowance made	23,140	-	-	23,140
At 31 December	<u>24,915</u>	<u>-</u>	<u>-</u>	<u>24,915</u>

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EXPLANATORY NOTES

16. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 RM'000
At amortised cost				
Overdrafts	2,938,718	3,002,621	2,938,718	3,002,621
Term loans/financing and revolving credits:				
- Housing loans/financing	40,633,659	40,783,736	40,633,659	40,783,736
- Syndicated term loans/financing	2,767,086	2,648,989	2,767,086	2,648,989
- Other term loans/financing	39,035,796	39,659,638	39,120,436	39,747,710
Credit card receivables	8,518,731	8,593,223	8,518,731	8,593,223
Bills receivables	158,713	182,025	158,713	182,025
Trust receipts	5,346,268	4,844,389	5,346,268	4,844,389
Claims on customers under acceptance credits	6,007,398	6,014,871	6,007,398	6,014,871
Staff loans	93,555	96,911	93,555	96,911
	105,499,924	105,826,403	105,584,564	105,914,475
Unearned interest/income	(149,424)	(148,700)	(149,424)	(148,700)
Gross loans, advances and financing	105,350,500	105,677,703	105,435,140	105,765,775
Allowance for ECL on loans, advances and financing				
- Stage 1- 12 month ECL	(507,640)	(551,907)	(509,190)	(553,562)
- Stage 2- Lifetime ECL non credit-impaired	(1,176,330)	(1,173,643)	(1,176,330)	(1,173,643)
- Stage 3- Lifetime ECL credit-impaired	(794,393)	(843,204)	(794,393)	(843,204)
Net loans, advances and financing	102,872,137	103,108,949	102,955,227	103,195,366

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

	Group		Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 RM'000
Maturing within one year	29,941,467	30,509,145	30,026,107	30,597,217
One year to three years	7,245,337	6,749,366	7,245,337	6,749,366
Three years to five years	8,429,203	8,853,501	8,429,203	8,853,501
Over five years	59,734,493	59,565,691	59,734,493	59,565,691
	105,350,500	105,677,703	105,435,140	105,765,775

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EXPLANATORY NOTES

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

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

	Group		Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 RM'000
Domestic non-banking financial institutions:				
- Stockbroking companies	10,908	896	10,908	896
- Others	2,930,206	2,766,076	2,930,206	2,766,076
Domestic business enterprises:				
- Small and medium enterprises	22,021,394	21,931,110	22,021,394	21,931,110
- Others	19,106,155	18,928,145	19,190,795	19,016,217
Individuals	55,811,029	56,111,922	55,811,029	56,111,922
Foreign entities	5,470,808	5,939,554	5,470,808	5,939,554
	105,350,500	105,677,703	105,435,140	105,765,775

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

	Group		Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 RM'000
Fixed rate:				
- Housing loans/financing	41,069	40,681	41,069	40,681
- Other fixed rate loans /financing	16,355,685	16,452,454	16,355,685	16,452,454
Variable rate:				
- Base rate/base lending /financing rate-plus	62,669,057	62,893,388	62,669,057	62,893,388
- Cost-plus	25,757,746	25,736,276	25,842,386	25,824,348
- Other variable rates	526,943	554,904	526,943	554,904
	105,350,500	105,677,703	105,435,140	105,765,775

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EXPLANATORY NOTES

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

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

	Group		Bank	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,241,009	1,681,068	1,241,009	1,681,068
Mining and quarrying	232,962	178,004	232,962	178,004
Manufacturing	9,240,243	8,997,143	9,240,243	8,997,143
Electricity, gas and water	815,657	730,129	815,657	730,129
Construction	7,317,310	7,080,238	7,317,310	7,080,238
Wholesale, retail trade, restaurants and hotels	14,037,732	14,626,320	14,037,732	14,626,320
Transport, storage and communication	2,379,669	2,041,282	2,379,669	2,041,282
Finance, insurance and business services	4,590,890	4,513,864	4,590,890	4,513,864
Real estate	4,381,438	4,336,726	4,466,078	4,424,798
Community, social and personal services	211,848	214,071	211,848	214,071
Households:				
- Purchase of residential properties	41,486,103	41,719,876	41,486,103	41,719,876
- Purchase of non-residential properties	7,907,087	7,968,499	7,907,087	7,968,499
- Others	11,508,552	11,590,483	11,508,552	11,590,483
	105,350,500	105,677,703	105,435,140	105,765,775

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EXPLANATORY NOTES

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

(v) Movements in credit-impaired loans, advances and financing:

	Group and Bank	
	31-Mar-23	31-Dec-22
	RM'000	RM'000
As at 1 January	2,833,180	2,394,946
Transfer from business acquisition	-	209,289
Classified as credit-impaired during the financial period/year	355,950	1,120,492
Amount recovered	(139,637)	(348,581)
Reclassified as non credit-impaired	(114,738)	(265,614)
Amount written-off	(151,669)	(277,352)
As at 31 March/31 December	<u>2,783,086</u>	<u>2,833,180</u>
Less: Stage 3 - Lifetime ECL credit-impaired	<u>(794,392)</u>	<u>(843,204)</u>
Net credit-impaired loans, advances and financing	<u>1,988,694</u>	<u>1,989,976</u>
Ratio of net credit-impaired loans, advances and financing to gross loans, advances and financing less allowance for ECL on credit-impaired provisions	<u>1.9%</u>	<u>1.9%</u>

(vi) Movements in the allowance for ECL on loans, advances and financing:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	
Group 2023				
At 1 January	551,907	1,173,643	843,204	2,568,754
Transfer from business acquisition	-	-	-	-
Transferred to Stage 1	11,183	(110,761)	(5,814)	(105,392)
Transferred to Stage 2	(13,304)	99,386	(14,243)	71,839
Transferred to Stage 3	(270)	(42,452)	89,935	47,213
Allowance made	43,869	171,469	34,083	249,421
Maturity/settlement/ repayment	(85,604)	(114,986)	(28,121)	(228,711)
Exchange differences	(141)	31	-	(110)
Net total	<u>(44,267)</u>	<u>2,687</u>	<u>75,840</u>	<u>34,260</u>
Amounts written-off	-	-	(124,698)	(124,698)
Other movements	-	-	47	47
At 31 March	<u>507,640</u>	<u>1,176,330</u>	<u>794,393</u>	<u>2,478,363</u>

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EXPLANATORY NOTES**16. LOANS, ADVANCES AND FINANCING (cont'd.)****(vi) Movements in the allowance for ECL on loans, advances and financing: (cont'd.)**

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	
Group				
2022				
At 1 January	311,664	1,298,483	713,309	2,323,456
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	62,709	(223,574)	(19,417)	(180,282)
Transferred to Stage 2	(8,413)	94,469	(12,330)	73,726
Transferred to Stage 3	(2,077)	(23,460)	275,164	249,627
Allowance made	258,866	182,633	99,605	541,104
Maturity/settlement/ repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total	140,277	(191,256)	293,212	242,233
Amounts written-off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	551,907	1,173,643	843,204	2,568,754
Bank				
2023				
At 1 January	553,562	1,173,643	843,204	2,570,409
Transfer from business acquisition	-	-	-	-
Transferred to Stage 1	11,183	(110,761)	(5,814)	(105,392)
Transferred to Stage 2	(13,304)	99,386	(14,243)	71,839
Transferred to Stage 3	(270)	(42,452)	89,935	47,213
Allowance made	43,869	171,469	34,083	249,421
Maturity/settlement/ repayment	(85,709)	(114,986)	(28,121)	(228,816)
Exchange differences	(141)	31	-	(110)
Net total	(44,372)	2,687	75,840	34,155
Amounts written-off	-	-	(124,698)	(124,698)
Other movements	-	-	47	47
At 31 March	509,190	1,176,330	794,393	2,479,913

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EXPLANATORY NOTES

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

(vi) Movements in the allowance for ECL on loans, advances and financing: (cont'd.)

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	
Bank 2022				
At 1 January	312,573	1,298,483	713,309	2,324,365
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	62,709	(223,574)	(19,417)	(180,282)
Transferred to Stage 2	(8,413)	94,469	(12,330)	73,726
Transferred to Stage 3	(2,077)	(23,460)	275,164	249,627
Allowance made	259,612	182,633	99,605	541,850
Maturity/settlement/ repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total	141,023	(191,256)	293,212	242,979
Amounts written-off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	553,562	1,173,643	843,204	2,570,409

(vii) Gross credit-impaired loans, advances and financing analysed by economic sectors:

	Group and Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000
Mining and quarrying	85,640	83,075
Manufacturing	152,650	190,171
Construction	669,882	658,549
Wholesale, retail trade, restaurants and hotels	289,734	340,269
Transport, storage and communication	36,399	36,830
Finance, insurance and business services	42,730	42,710
Real estate	196,978	195,714
Community, social and personal services	11,102	11,169
Households:		
- Purchase of residential properties	993,821	972,294
- Purchase of non-residential properties	156,313	158,602
- Others	147,837	143,797
	2,783,086	2,833,180

(viii) Credit-impaired loans, advances and financing analysed by geographical distribution:

In Malaysia	2,783,086	2,833,180
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EXPLANATORY NOTES

17. 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 2023			
Foreign exchange contracts:			
- Forwards	17,572,786	134,465	86,107
- Swaps	63,982,502	650,740	497,299
- Options	1,398,402	10,866	7,129
Interest rate related contracts:			
- Swaps	76,830,418	631,914	657,755
- Futures	-	-	-
- Options	203,319	-	163
Equity related contracts:			
- Options	30,389	94	1,209
Commodity related contracts:			
- Swaps	355,510	16,604	7,662
- Futures	64,639	199	4,086
- Options	10,500	199	-
	1,445,081	1,261,410	

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EXPLANATORY NOTES

17. 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 2022			
Foreign exchange contracts:			
- Forwards	14,869,880	101,329	204,707
- Swaps	64,592,840	785,259	1,355,000
- Options	1,665,390	13,729	14,176
Interest rate related contracts:			
- Swaps	69,182,678	707,842	705,750
- Futures	-	-	-
- Options	183,442	1,336	320
Equity related contracts:			
- Options	22,343	19	1,285
Commodity related contracts:			
- Swaps	137,168	9,700	2,401
- Futures	92,507	1,638	2,620
- Options	42,000	2,682	871
		<u>1,623,534</u>	<u>2,287,130</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 trading and hedging 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

18. OTHER ASSETS

	Group		Bank	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	390,774	1,015,396	395,582	1,015,230
Accrued interest/income receivables	377,922	302,630	377,922	302,630
Amount due from subsidiaries	-	-	7,132	5,259
Amount due from a fellow subsidiary	886	36	886	36
Amount due from holding company	72	72	72	72
Amount due from ultimate holding company	245	1,336	245	1,336
Precious metal accounts	249,147	270,090	249,147	270,090
Less: Allowance for ECL	(4,476)	(12,762)	(4,479)	(12,761)
	1,014,570	1,576,798	1,026,507	1,581,892

Movements in the allowance for ECL on other assets are as follows:

Group	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	
2023	RM'000	RM'000	RM'000	RM'000
At 1 January	5,193	7,569	-	12,762
Allowance made	1,218	(133)	-	1,085
Maturity/settlement/repayment	(3,068)	(6,303)	-	(9,371)
	(1,850)	(6,436)	-	(8,286)
At 31 March	3,343	1,133	-	4,476
2022				
At 1 January	1,580	4,914	-	6,494
Allowance made	4,900	5,317	-	10,217
Maturity/settlement/repayment	(1,287)	(2,662)	-	(3,949)
	3,613	2,655	-	6,268
At 31 December	5,193	7,569	-	12,762

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EXPLANATORY NOTES

18. OTHER ASSETS (cont'd.)

Movements in the allowance for ECL on other assets are as follows (cont'd.):

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	
Bank				
2023				
At 1 January	4,449	8,312	-	12,761
Allowance made	1,222	(135)	-	1,087
Maturity/settlement/repayment	(3,063)	(6,306)	-	(9,369)
	(1,841)	(6,441)	-	(8,282)
At 31 March	2,608	1,871	-	4,479
2022				
At 1 January	1,580	7,794	-	9,374
Allowance made	4,155	6,061	-	10,216
Maturity/settlement/repayment	(1,286)	(5,543)	-	(6,829)
	2,869	518	-	3,387
At 31 December	4,449	8,312	-	12,761

19. Intangible assets

As at 31 March 2023, Goodwill was at RM348,380,000 (31 December 2022: RM363,140,000) and it has been recognised on a provisional basis, pending finalisation of the completion accounts and purchase price allocation and intangible asset valuation.

	Group and Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000
Goodwill	348,380	363,140
Other intangible assets ⁽¹⁾	114,042	117,017
At 31 March	462,422	480,157
Represented by:		
Goodwill	348,380	363,140
Intangible assets, at cost	119,000	119,000
Gross carrying amount	467,380	482,140
Accumulated amortisation for intangible assets	(4,958)	(1,983)
Net carrying amount	462,422	480,157

⁽¹⁾ Other intangible assets relate to the Citi consumer business consumer relationships and core deposits.

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EXPLANATORY NOTES

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 RM'000
Demand deposits	33,940,907	34,027,354	33,969,971	34,042,154
Savings deposits	7,227,059	7,663,935	7,227,059	7,663,935
Fixed deposits	66,712,573	66,085,077	66,712,573	66,085,077
Others	3,679,065	3,108,443	3,680,157	3,109,108
	111,559,604	110,884,809	111,589,760	110,900,274

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

	Group and Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000
Due within six months	40,797,872	44,895,208
Six months to one year	25,887,790	21,163,510
One year to three years	26,208	25,820
Three years to five years	703	539
	66,712,573	66,085,077

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

	Group		Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 RM'000
Business enterprises:				
- Subsidiaries	-	-	29,063	14,799
- Related companies	1,016	1,048	1,016	1,048
- Others	47,770,689	46,727,364	47,771,782	46,728,030
Individuals	61,339,300	61,615,090	61,339,300	61,615,090
Others	2,448,599	2,541,307	2,448,599	2,541,307
	111,559,604	110,884,809	111,589,760	110,900,274

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 RM'000
Licensed banks in Malaysia	23,892	316,320	23,892	316,320
Bank Negara Malaysia	942,130	961,571	942,130	961,571
Other financial institutions	16,248,524	15,060,725	16,248,524	15,060,725
	17,214,546	16,338,616	17,214,546	16,338,616

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EXPLANATORY NOTES**22. OTHER LIABILITIES**

	Group		Bank	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL on commitments and contingencies	148,866	162,475	148,866	162,475
Accrued interest/profit payables	420,183	428,554	420,183	428,554
Accruals and provisions for operational expenses	1,073,211	978,416	1,072,028	976,316
Other payables and accruals	2,813,150	2,957,597	2,775,818	2,917,928
Deferred income	27,047	36,626	27,047	36,626
	4,482,457	4,563,668	4,443,942	4,521,899

Movements in the allowance for ECL on irrevocable commitments and contingencies are as follows:

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL non credit-impaired	Lifetime ECL credit-impaired	
2023	RM'000	RM'000	RM'000	RM'000
At 1 January	64,764	37,458	60,253	162,475
Transferred to Stage 1	3,581	(18,765)	-	(15,184)
Transferred to Stage 2	(975)	15,947	-	14,972
Transferred to Stage 3	-	(325)	42	(283)
Allowance made	2,982	2,823	245	6,050
Maturity/settlement/repayment	(15,056)	(3,338)	(825)	(19,219)
Foreign translation gain	16	-	-	16
	(9,452)	(3,658)	(538)	(13,648)
Other movements	-	-	39	39
At 31 March	55,312	33,800	59,754	148,866
2022				
At 1 January	46,976	128,561	15,068	190,605
Transferred to Stage 1	28,353	(76,092)	-	(47,739)
Transferred to Stage 2	(1,782)	18,207	-	16,425
Transferred to Stage 3	-	-	61,065	61,065
Allowance made	44,430	5,896	29	50,355
Maturity/settlement/repayment	(53,325)	(39,125)	(14,233)	(106,683)
Foreign translation gain	112	11	-	123
	17,788	(91,103)	46,861	(26,454)
Other movements			(1,676)	(1,676)
At 31 December	64,764	37,458	60,253	162,475

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23. SUBORDINATED BONDS

	Group and Bank	
	31-Mar-23	31-Dec-22
	RM'000	RM'000
<i>At amortised cost</i>		
RM600 million subordinated bond 2018/2028, at par (Note (a))	600,263	600,204
RM750 million subordinated bond 2020/2030, at par (Note (b))	748,279	746,523
RM1 billion subordinated bond 2022/2032, at par (Note (c))	1,000,000	1,000,000
	<u>2,348,542</u>	<u>2,346,727</u>
Accumulated fair value hedge loss (Note (d))	<u>1,457</u>	<u>3,273</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) On 27 October 2022, the Bank issued RM1.0 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) (“the Bond 3”).

The Bond 3 bears interest at the rate of 4.91% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 3 may be redeemed at par at the option of the Bank, in part or in whole, on 27 October 2027 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 27 April and 27 October each year commencing 27 April 2023.

The Bond 3 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.

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EXPLANATORY NOTES

23. SUBORDINATED BONDS (cont'd.)

(d) Fair value hedge

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

As at 31 March 2023, the Bank had an interest rate swap agreement in place with notional amount of RM600 million (31 December 2022: RM600 million) for Bond 1 and RM750 million (31 December 2022: RM750 million) for Bond 2.

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.

For Bond 2, the Bank receives a fixed interest rate of 3.000% 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 RM1,816,000 (31 December 2022: RM16,541,000 unrealised gain) 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. 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.

25. INTEREST INCOME

	First Quarter Ended		Three Months Ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Group				
Loans, advances and financing	1,173,199	745,952	1,173,199	745,952
Credit impaired loans, advances and financing	19,506	16,522	19,506	16,522
Money at call and deposit placements with financial institutions	82,695	67,455	82,695	67,455
Financial assets at FVTPL	55,505	24,027	55,505	24,027
Debt instruments at FVOCI	194,483	158,123	194,483	158,123
Debt instruments at AC	83,002	11,318	83,002	11,318
	1,608,390	1,023,397	1,608,390	1,023,397
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	9,959	4,428	9,959	4,428
- Debt instruments at FVOCI	(26,613)	(30,236)	(26,613)	(30,236)
	1,591,736	997,589	1,591,736	997,589
Bank				
Loans, advances and financing	1,174,130	746,599	1,174,130	746,599
Credit impaired loans, advances and financing	19,506	16,522	19,506	16,522
Money at call and deposit placements with financial institutions	82,697	67,456	82,697	67,456
Financial assets at FVTPL	55,505	24,027	55,505	24,027
Debt instruments at FVOCI	194,483	158,123	194,483	158,123
Debt instruments at AC	83,002	11,318	83,002	11,318
	1,609,323	1,024,045	1,609,323	1,024,045
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	9,959	4,428	9,959	4,428
- Debt instruments at FVOCI	(26,613)	(30,236)	(26,613)	(30,236)
	1,592,669	998,237	1,592,669	998,237

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EXPLANATORY NOTES

26. INTEREST EXPENSE

Group	First Quarter Ended		Three Months Ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	584,570	344,737	584,570	344,737
Deposits and placements of banks and other financial institutions	230,007	25,749	230,007	25,749
Subordinated bonds	24,245	9,878	24,245	9,878
Lease liabilities	793	494	793	494
Others	12,141	4,234	12,141	4,234
	851,756	385,092	851,756	385,092
Bank				
Deposits from customers	584,660	344,811	584,660	344,811
Deposits and placements of banks and other financial institutions	230,007	25,749	230,007	25,749
Subordinated bonds	24,245	9,878	24,245	9,878
Lease liabilities	7,783	811	7,783	811
Others	12,141	4,234	12,141	4,234
	858,836	385,483	858,836	385,483

27. OTHER OPERATING INCOME

Group	First Quarter Ended		Three Months Ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	65,451	67,039	65,451	67,039
Guarantee fees	25,970	18,762	25,970	18,762
Service charges and fees	130,234	51,927	130,234	51,927
Less: Fee expenses	(48,014)	(16,027)	(48,014)	(16,027)
	82,220	35,900	82,220	35,900
Commitment fees	6,913	7,424	6,913	7,424
Arrangement and participation fees	2,261	13,627	2,261	13,627
	182,815	142,752	182,815	142,752

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EXPLANATORY NOTES

27. OTHER OPERATING INCOME (cont'd.)

Group (cont'd.)	First Quarter Ended		Three Months Ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	13,931	7,163	13,931	7,163
Unrealised gain on financial assets at FVTPL	6,824	3,631	6,824	3,631
Gain/(loss) from trading derivatives	28,060	(1,161)	28,060	(1,161)
Unrealised (loss)/gain from trading derivatives	(42,382)	27,308	(42,382)	27,308
Unrealised (loss)/gain on fair value hedge	(1,816)	2,571	(1,816)	2,571
Gain/(loss) from sale of precious metal	636	(6,739)	636	(6,739)
Unrealised (loss)/gain from sale of precious metal	(10)	7,111	(10)	7,111
Gain from sale/recovery of debt instruments at FVOCI	53,340	7,044	53,340	7,044
Gross dividends from:				
- Equity instruments at FVOCI	1,260	-	1,260	-
	59,843	46,928	59,843	46,928
<u>Other income</u>				
Foreign exchange gain, net	163,359	5,343	163,359	5,343
Rental income from operating leases	185	62	185	62
Gain on disposal of property, plant and equipment	42	-	42	-
Others	6,899	4,710	6,899	4,710
	170,485	10,115	170,485	10,115
	413,143	199,795	413,143	199,795

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27. OTHER OPERATING INCOME (cont'd.)

Bank	First Quarter Ended		Three Months Ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	65,451	67,039	65,451	67,039
Guarantee fees	25,997	18,730	25,997	18,730
Service charges and fees	130,334	52,028	130,334	52,028
Less: Fee expenses	(48,014)	(16,027)	(48,014)	(16,027)
	82,320	36,001	82,320	36,001
Commitment fees	6,913	7,424	6,913	7,424
Arrangement and participation fees	2,261	13,627	2,261	13,627
	182,942	142,821	182,942	142,821
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	13,931	7,163	13,931	7,163
Unrealised gain on financial assets at FVTPL	6,824	3,631	6,824	3,631
Gain/(loss) from trading derivatives	28,060	(1,161)	28,060	(1,161)
Unrealised (loss)/gain from trading derivatives	(42,382)	27,308	(42,382)	27,308
Unrealised (loss)/gain on fair value hedge	(1,816)	2,571	(1,816)	2,571
Gain/(loss) from sale of precious metal	636	(6,739)	636	(6,739)
Unrealised (loss)/gain from sale of previous metal	(10)	7,111	(10)	7,111
Gain from sale/recovery of debt instruments at FVOCI	53,340	7,044	53,340	7,044
Gross dividends from:				
- Equity instruments at FVOCI	1,260	-	1,260	-
	59,843	46,928	59,843	46,928
<u>Other income</u>				
Foreign exchange gain, net	163,359	5,343	163,359	5,343
Gain on disposal of property, plant and equipment	42	-	42	-
Others	6,899	4,710	6,899	4,710
	170,300	10,053	170,300	10,053
	413,085	199,802	413,085	199,802

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EXPLANATORY NOTES

28. OTHER OPERATING EXPENSES

Group	First Quarter Ended		Three Months Ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Personnel expenses	299,916	201,818	299,916	201,818
Establishment related expenses	156,699	103,474	156,699	103,474
Promotion and marketing related expenses	23,726	4,998	23,726	4,998
General administrative expenses	124,634	25,636	124,634	25,636
	604,975	335,926	604,975	335,926
<u>Personnel expenses</u>				
Wages, salaries and bonus	237,648	155,167	237,648	155,167
Defined contribution plan	35,282	24,263	35,282	24,263
Other employee benefits	26,986	22,388	26,986	22,388
	299,916	201,818	299,916	201,818
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	34,520	24,422	34,520	24,422
Depreciation of right-of-use assets	5,699	4,037	5,699	4,037
Amortisation of intangible assets	2,975	-	2,975	-
Information technology costs	72,979	54,475	72,979	54,475
Repair and maintenance	20,900	9,462	20,900	9,462
Short-term lease expenses	201	-	201	-
Others	19,425	11,078	19,425	11,078
	156,699	103,474	156,699	103,474
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	23,726	4,998	23,726	4,998
<u>General administrative expenses</u>				
Fees and commissions paid	17,905	7,287	17,905	7,287
Others	106,729	18,349	106,729	18,349
	124,634	25,636	124,634	25,636

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EXPLANATORY NOTES

28. OTHER OPERATING EXPENSES (cont'd.)

Bank	First Quarter Ended		Three Months Ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Personnel expenses	298,544	200,618	298,544	200,618
Establishment related expenses	154,523	102,668	154,523	102,668
Promotion and marketing related expenses	23,707	4,998	23,707	4,998
General administrative expenses	124,444	25,507	124,444	25,507
	601,218	333,791	601,218	333,791
<u>Personnel expenses</u>				
Wages, salaries and bonus	236,549	154,197	236,549	154,197
Defined contribution plan	35,111	24,120	35,111	24,120
Other employee benefits	26,884	22,301	26,884	22,301
	298,544	200,618	298,544	200,618
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	26,724	20,281	26,724	20,281
Depreciation of right-of-use assets	12,583	6,213	12,583	6,213
Amortisation of intangible assets	2,975	-	2,975	-
Information technology costs	72,979	54,475	72,979	54,475
Repair and maintenance	20,634	9,404	20,634	9,404
Short-term lease expenses	790	1,510	790	1,510
Others	17,838	10,785	17,838	10,785
	154,523	102,668	154,523	102,668
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	23,707	4,998	23,707	4,998
<u>General administrative expenses</u>				
Fees and commissions paid	17,726	7,227	17,726	7,227
Others	106,718	18,280	106,718	18,280
	124,444	25,507	124,444	25,507

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EXPLANATORY NOTES**29. ALLOWANCES FOR/(WRITE-BACK OF) EXPECTED CREDIT LOSSES**

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:				
- Stage 1 ECL	(44,267)	(35,791)	(44,267)	(35,791)
- Stage 2 ECL	2,687	50,208	2,687	50,208
- Stage 3 ECL	75,840	37,202	75,840	37,202
	34,260	51,619	34,260	51,619
Credit-impaired loans, advances and financing:				
- Written-off	27,603	8,189	27,603	8,189
- Recovered	(50,426)	(29,871)	(50,426)	(29,871)
	11,437	29,937	11,437	29,937
Other financial assets:				
- Stage 1 ECL	(24,801)	(16,174)	(24,801)	(16,174)
- Stage 2 ECL	(6,436)	(6,289)	(6,436)	(6,289)
	(31,237)	(22,463)	(31,237)	(22,463)
Commitments and contingencies:				
- Stage 1 ECL	(9,452)	3,842	(9,452)	3,842
- Stage 2 ECL	(3,658)	(683)	(3,658)	(683)
- Stage 3 ECL	(538)	662	(538)	662
	(13,648)	3,821	(13,648)	3,821
Bank				
Loans, advances and financing:				
- Stage 1 ECL	(44,372)	(35,791)	(44,372)	(35,791)
- Stage 2 ECL	2,687	50,208	2,687	50,208
- Stage 3 ECL	75,840	37,202	75,840	37,202
	34,155	51,619	34,155	51,619
Credit-impaired loans, advances and financing:				
- Written-off	27,603	8,189	27,603	8,189
- Recovered	(50,426)	(29,871)	(50,426)	(29,871)
	11,332	29,937	11,332	29,937
Other financial assets:				
- Stage 1 ECL	(24,792)	(16,174)	(24,792)	(16,174)
- Stage 2 ECL	(6,441)	(5,783)	(6,441)	(5,783)
	(31,233)	(21,957)	(31,233)	(21,957)
Commitments and contingencies:				
- Stage 1 ECL	(9,452)	3,842	(9,452)	3,842
- Stage 2 ECL	(3,658)	(683)	(3,658)	(683)
- Stage 3 ECL	(538)	662	(538)	662
	(13,648)	3,821	(13,648)	3,821

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EXPLANATORY NOTES

30. 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 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.

Wholesale Banking ("WB")

The WB segment encompasses Commercial Banking, Business Banking, Corporate Banking, Multinational Corporates ("MNC") and Financial Institutions Group ("FIG"). Commercial Banking serves the medium and large enterprises while Business Banking serves small enterprises. Corporate Banking serves large local corporations, government-linked companies and agencies and MNC covers multinational corporations. FIG serves financial institutions as well as non-bank financial institutions. Commercial Banking, Business 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, foreign exchange, cross-border payments, insurance 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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30. 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 2023							
Operating income	441,334	518,499	118,147	125,268	1,203,248	(13,437)	1,189,811
Other operating expenses	(285,765)	(140,039)	(26,076)	(170,157)	(622,037)	17,062	(604,975)
Allowance for ECL	(63,125)	96,666	-	-	33,541	(93)	33,448
Share of net profit of an associate	-	-	-	-	-	-	-
Profit before taxation	<u>92,444</u>	<u>475,126</u>	<u>92,071</u>	<u>(44,889)</u>	<u>614,752</u>	<u>3,532</u>	<u>618,284</u>
Income tax expense							<u>(147,481)</u>
							<u>470,803</u>

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EXPLANATORY NOTES

30. 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 2023							
Inter-segment operating income	3,036	13,565	(140,274)	137,110	13,437	(13,437)	-
Total depreciation	10,712	5,617	871	30,291	47,491	(7,272)	40,219
As at 31 March 2023							
Gross loans, advances and financing	61,063,245	43,958,059	-	413,836	105,435,140	(84,640)	105,350,500
Deposits from customers	67,243,616	44,339,553	-	5,498	111,588,667	(29,063)	111,559,604

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30. 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 2022							
Operating income	294,691	419,067	64,815	85,516	864,089	(17,416)	846,673
Other operating expenses	(162,461)	(118,619)	(21,759)	(49,284)	(352,123)	16,197	(335,926)
Allowance for ECL	(63,001)	51,187	-	556	(11,258)	(37)	(11,295)
Share of net profit of an associate	-	-	-	(576)	(576)	-	(576)
Profit before taxation	<u>69,229</u>	<u>351,635</u>	<u>43,056</u>	<u>36,212</u>	<u>500,132</u>	<u>(1,256)</u>	<u>498,876</u>
Income tax expense							<u>(154,615)</u>
							<u><u>344,261</u></u>

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EXPLANATORY NOTES

30. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

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

For period ended 31 March 2022

Inter-segment operating income	21,245	5,733	(86,930)	77,368	17,416	(17,416)	-
Total depreciation	7,288	3,586	969	29,764	41,607	(13,148)	28,459

As at 31 December 2022

Gross loans, advances and financing	61,459,374	43,902,466	-	408,056	105,769,896	(92,193)	105,677,703
Deposits from customers	67,368,252	43,519,874	-	22,803	110,910,929	(26,120)	110,884,809

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EXPLANATORY NOTES

31. 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 9 December 2020 and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) issued on 3 May 2019.

	Group		Bank	
	31-Mar-23 RM'000	31-Dec-22 RM'000	31-Mar-23 RM'000	31-Dec-22 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	11,447,521	11,447,521	11,616,857	11,616,857
Other reserves	192,835	66,934	(47,563)	(173,464)
Regulatory adjustments applied in the calculation of CET1 Capital	(1,071,593)	(1,140,963)	(1,423,256)	(1,492,626)
Total CET1/Tier 1 Capital	11,361,318	11,166,047	10,938,593	10,743,322
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	2,350,000	2,350,000	2,350,000	2,350,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	318,929	320,555	319,408	321,073
- General provisions	162,587	164,706	153,007	155,041
Regulatory adjustments applied in the calculation of Tier 2 Capital	105,073	105,073	-	-
Total Tier 2 Capital	2,936,589	2,940,334	2,822,415	2,826,114
Total Capital	14,297,907	14,106,381	13,761,008	13,569,436

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31. 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-23	31-Dec-22	31-Mar-23	31-Dec-22
CET1/Tier 1 Capital	14.867%	14.711%	14.444%	14.283%
Total Capital	18.710%	18.585%	18.171%	18.040%

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

	Group		Bank	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	68,856,999	68,645,310	68,170,336	67,958,409
Total RWA for market risk	1,004,767	901,920	1,004,767	901,920
Total RWA for operational risk	6,558,029	6,355,695	6,554,560	6,356,550
	76,419,795	75,902,925	75,729,663	75,216,879

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EXPLANATORY NOTES

32. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Group	Principal	Credit	Risk
As at 31 March 2023	amount	equivalent	weighted
	RM'000	amount	amount
		RM'000	RM'000
Direct credit substitutes	4,325,399	4,168,060	2,491,845
Transaction-related contingent items	6,713,582	3,318,509	2,085,784
Short-term self-liquidating trade-related contingencies	593,558	125,728	74,134
Lending of banks' securities or the posting of securities as collateral by banks	3,803,581	183,921	848
Foreign exchange related contracts:			
- Not more than one year	81,749,683	1,844,716	295,534
- More than one year to less than five years	983,216	82,541	51,882
- Five years and above	220,791	23,186	27,319
Interest rate related contracts:			
- Not more than one year	37,174,231	492,645	72,461
- More than one year to less than five years	38,423,319	1,468,193	414,923
- Five years and above	1,436,187	149,921	73,642
Equity related contracts:			
- Not more than one year	25,339	3	7
- more than one year to less than five years	5,050	498	49
Commodity related contracts:			
- Not more than one year	277,196	34,362	11,999
- More than one year to less than five years	153,453	20,804	7,629
Undrawn credit facility:			
- Not more than one year	22,501,142	1,110,849	285,889
- More than one year	7,208,728	4,927,358	2,734,799
- Unconditionally cancellable	35,513,627	9,559,454	3,601,944
Other commitments	637,583	197,349	30,786
Total	241,745,665	27,708,097	12,261,474

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32. COMMITMENTS AND CONTINGENCIES (cont'd.)

Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2022			
Direct credit substitutes	4,444,105	4,325,833	2,603,485
Transaction-related contingent items	6,494,369	3,223,817	2,157,317
Short-term self-liquidating trade-related contingencies	494,007	94,954	50,785
Lending of banks' securities or the posting of securities as collateral by banks	5,919,105	398,295	1,582
Foreign exchange related contracts:			
- Not more than one year	79,993,510	1,982,711	292,423
- More than one year to less than five years	993,533	79,272	46,275
- Five years and above	141,067	14,768	17,401
Interest rate related contracts:			
- Not more than one year	30,970,334	465,608	71,312
- More than one year to less than five years	36,907,880	1,524,240	422,064
- Five years and above	1,487,906	158,040	78,114
Equity related contracts:			
- Not more than one year	21,343	-	-
- More than one year to less than five years	1,000	-	-
Commodity related contracts:			
- Not more than one year	266,506	28,373	12,325
- More than one year to less than five years	5,169	-	-
Undrawn credit facility:			
- Not more than one year	21,546,214	1,139,707	262,216
- More than one year	7,161,591	4,809,176	2,685,427
- Unconditionally cancellable	34,819,906	9,337,125	3,541,162
Other commitments	881,265	57,411	57,411
Total	232,548,810	27,639,330	12,299,299

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EXPLANATORY NOTES

32. COMMITMENTS AND CONTINGENCIES (cont'd.)

Bank	Principal	Credit	Risk
As at 31 March 2023	amount	equivalent	weighted
	RM'000	amount	amount
		RM'000	RM'000
Direct credit substitutes	4,325,399	4,168,060	2,491,845
Transaction-related contingent items	6,713,582	3,318,509	2,085,784
Short-term self-liquidating trade-related contingencies	593,558	125,728	74,134
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Equity related contracts:			
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Commodity related contracts:			
- Not more than one year	277,196	34,362	11,999
- More than one year to less than five years	153,453	20,804	7,629
Undrawn credit facility:			
- Not more than one year	22,501,142	1,110,849	285,889
- More than one year	7,208,728	4,927,358	2,734,799
- Unconditionally cancellable	35,513,627	9,559,454	3,601,944
Other commitments	637,583	197,349	30,786
Total	241,745,665	27,708,097	12,261,474

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32. COMMITMENTS AND CONTINGENCIES (cont'd.)

Bank	Principal amount	Credit equivalent amount	Risk weighted amount
As at 31 December 2022	RM'000	RM'000	RM'000
Direct credit substitutes	4,444,105	4,325,833	2,603,485
Transaction-related contingent items	6,494,369	3,223,817	2,157,317
Short-term self-liquidating trade-related contingencies	494,007	94,954	50,785
Lending of banks' securities or the posting of securities as collateral by banks	5,919,105	398,295	1,582
Foreign exchange related contracts:			
- Not more than one year	79,993,510	1,982,711	292,423
- More than one year to less than five years	993,533	79,272	46,275
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Interest rate related contracts:			
- Not more than one year	30,970,334	465,608	71,312
- More than one year to less than five years	36,907,880	1,524,240	422,064
- Five years and above	1,487,906	158,040	78,114
Equity related contracts:			
- Not more than one year	21,343	-	-
- More than one year to less than five years	1,000	-	-
Commodity related contracts:			
- Not more than one year	266,506	28,373	12,325
- More than one year to less than five years	5,169	-	-
Undrawn credit facility:			
- Not more than one year	21,546,213	1,139,707	262,216
- More than one year	7,161,591	4,809,176	2,685,427
- Unconditionally cancellable	34,819,906	9,337,125	3,541,162
Other commitments	881,266	57,411	57,411
Total	232,548,810	27,639,330	12,299,299

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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33. PERFORMANCE REVIEW

For the three months ended 31 March 2023, the Group recorded a profit before taxation of RM618.3 million, an increase of 23.9% or RM119.4 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 40.5% or RM343.1 million to RM1,189.8 million from higher net interest income, other operating income and net income from Islamic Banking operations. Net interest income grew by 20.8% or RM127.5m to RM740.0m led by asset growth and OPR hikes. Other operating income increased 106.8% or RM213.3 million to RM413.1 million mainly from higher net foreign exchange gain, trading and investment income as well as fee income.

Expenses increased by 80.1% or RM269.0 million to RM605.0 million partly due to one-off consumer banking business integration cost from Citigroup as well as we continued investment in our people and technology infrastructure to support business growth.

Total allowances for expected credit losses decreased by RM44.7 million attributable to write-back of expected credit loss for non-impaired assets, other financial assets as well as commitments and contingencies, offset by higher expected credit loss made for impaired assets.

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34. PROSPECTS FOR 2023

Global economic growth is set to be slower in 2023 amid key risk factors including financial stability risks due to the tightening of financial conditions and potential global funding markets dysfunction and geopolitical tensions including the escalating Russia-Ukraine war. Following the fallout in the United States and European banking sectors, the authorities' swift, targeted and decisive response to restore public confidence in the global banking system has defused potential contagion and systemic risks significantly. It is noted that many economies no longer consider COVID-19 as a downside growth risk. China's reopening would have a positive effect on growth and paves the way for a faster recovery thanks to higher pent-up demand, particularly for services including travel and leisure. This delivers a balance of risks whereby China's reopening and recovery can bring benefits that help to offset some of the downside drivers this year, particularly for Asian economies.

In Malaysia, the economic recovery has gained traction amid the ongoing transition to endemicity, while government subsidies have helped to mitigate the impact of inflation. Higher commodity prices and strong global demand for Malaysia's electronics exports helped lift overall export earnings to record highs and accelerate the recovery. Going forward, external demand is expected to moderate in tandem with softer global growth. Thus, domestic demand will remain the prime driver of Malaysia's economy with household spending being underpinned by improving labour market conditions and the prospects of higher tourism activity. Investments will be supported by the realisation of infrastructure projects and improved domestic conditions to attract foreign direct investments.

Further efforts to expand digitalisation, sustainability, and decarbonisation activities will drive new growth areas. Despite heightened volatility in global financial markets and the local currency, these developments have not derailed Malaysia's economy as domestic liquidity and the functioning of domestic markets have remained stable. Such factors, supported by robust fundamentals, will further support Malaysia's economy amid the uncertainties of 2023. Potential downside risks to Malaysia's growth outlook could stem from weaker-than-expected global growth, higher risk aversion in global financial markets, further escalation of geopolitical tensions, volatile commodity prices, worsening supply chain disruptions, and climate-related risks.

Overall, there are grounds for optimism as Malaysia's diversified economic structure provides underlying strength and resilience. Ongoing policy support with a record budget allocation for 2023 and an accommodative monetary policy, will serve to support sustainable economic growth.

Looking ahead, we continue to maintain our high service standards and always keep our customers at the centre of what we do.

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35. ISLAMIC BANKING OPERATIONS

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

	Note	31-Mar-23 RM'000	31-Dec-22 RM'000
Assets			
Cash and short-term funds	a	2,072,867	3,414,153
Securities purchased under resale agreements		190,339	-
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	648,523	611,879
Debt instruments at amortised cost ("AC")	c	1,053,191	1,057,889
Other assets	e	29,959	23,020
Derivative financial assets	f	21,820	40,703
Financing, advances and others	d	8,641,009	8,462,188
Statutory deposits with Bank Negara Malaysia		39,900	10,500
Plant and equipment		11,340	10,903
Deferred tax assets		9,241	14,012
Total assets		<u>12,718,189</u>	<u>13,645,247</u>
Liabilities and Islamic Banking funds			
Deposits from customers	g	5,596,353	5,397,682
Investment accounts due to designated financial institution	h	3,503,058	3,567,075
Deposits and placements of banks and other financial institutions	i	2,957,818	4,027,838
Bills and acceptances payable		8,707	4,526
Other liabilities	j	55,033	51,302
Derivative financial liabilities	f	21,772	38,407
Tax payable		25,426	24,991
Total liabilities		<u>12,168,167</u>	<u>13,111,821</u>
Capital fund		450,000	450,000
Reserves		100,022	83,426
Islamic Banking funds	k	<u>550,022</u>	<u>533,426</u>
Total liabilities and Islamic Banking funds		<u>12,718,189</u>	<u>13,645,247</u>
Commitments and contingencies	s	<u>4,623,315</u>	<u>3,970,598</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 2022.

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2023**

	Note	First Quarter ended		Three months ended	
		31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Income derived from depositors' funds	l	77,302	64,582	77,302	64,582
Income derived from investment of Islamic Banking funds	m	7,709	5,041	7,709	5,041
Income derived from investment of Investment Account funds	n	38,736	24,476	38,736	24,476
(Allowances for)/write-back of ECL on:					
Financing, advances and others	q	(4,628)	(1,117)	(4,628)	(1,117)
Other financial assets	q	(474)	(1,463)	(474)	(1,463)
Commitments and contingencies	q	(3,271)	1,472	(3,271)	1,472
Total attributable income		115,374	92,991	115,374	92,991
Income attributable to depositors	o	(56,494)	(40,502)	(56,494)	(40,502)
Income attributable to Investment Account holder	p	(30,565)	(19,216)	(30,565)	(19,216)
Total net income		28,315	33,273	28,315	33,273
Other operating expenses	r	(10,965)	(8,453)	(10,965)	(8,453)
Profit before taxation		17,350	24,820	17,350	24,820
Income tax expense		(4,137)	(5,958)	(4,137)	(5,958)
Profit after taxation		13,213	18,862	13,213	18,862
Other comprehensive income :					
<u>Items that will be reclassified subsequently to income statements:</u>					
Net fair value change in debt instruments at fair value through other comprehensive income		4,452	1,012	4,452	1,012
Income tax effect		(1,069)	(243)	(1,069)	(243)
Total other comprehensive income/(loss) for the period, net of tax		3,383	769	3,383	769
Total comprehensive income for the period		16,596	19,631	16,596	19,631

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE PERIOD ENDED 31 MARCH 2023

	First Quarter		Three months	
	ended		ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
Income derived from depositors' funds	77,302	64,582	77,302	64,582
Income derived from investment of Islamic Banking funds	7,709	5,041	7,709	5,041
Income derived from investment of Investment Account funds	38,736	24,476	38,736	24,476
Income attributable to depositors	(56,494)	(40,502)	(56,494)	(40,502)
Income attributable to Investment Account holder	<u>(30,565)</u>	<u>(19,216)</u>	<u>(30,565)</u>	<u>(19,216)</u>
Net income from Islamic Banking operations reported in the income statements of the Group and Bank	<u>36,688</u>	<u>34,381</u>	<u>36,688</u>	<u>34,381</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 2022.

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 31 MARCH 2023

	Capital fund RM'000	FVOCI reserve RM'000	Retained profit RM'000	Total RM'000
2023				
Balance as at 1 January	450,000	(3,318)	86,744	533,426
Profit for the year	-	-	13,213	13,213
Other comprehensive income	-	3,383	-	3,383
Total comprehensive income	-	3,383	13,213	16,596
Balance as at 31 March	450,000	65	99,957	550,022
2022				
Balance as at 1 January	450,000	(966)	14,261	463,295
Profit for the year	-	-	18,862	18,862
Other comprehensive income	-	769	-	769
Total comprehensive income	-	769	18,862	19,631
Balance as at 31 March	450,000	(197)	33,123	482,926

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 2022.

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2023**

	31-Mar-23	31-Mar-22
	RM'000	RM'000
Profit before taxation	17,350	24,820
Adjustments for non-operating and non-cash items	(6,431)	1,555
Operating profit before working capital changes	10,919	26,375
Changes in working capital:		
Net changes in operating assets	(391,252)	(240,037)
Net changes in operating liabilities	(947,360)	1,390,463
Net cash (used in)/generated from operating activities	(1,327,693)	1,176,801
Net cash used in investing activities	(13,884)	(576,081)
Net (decrease)/increase in cash and cash equivalents	(1,341,577)	600,720
Cash and cash equivalents at beginning of the period	3,414,659	1,687,164
Cash and cash equivalents at end of the period	2,073,082	2,287,884
Analysis of cash and cash equivalents		
Cash and short-term funds	2,073,082	2,287,884
Less: Allowance for ECL	(215)	(248)
	2,072,867	2,287,636

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 2022.

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

a. Cash and short-term funds

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,790,082	836,859
Money at call and deposit placements maturing within one month	283,000	2,577,800
	<u>2,073,082</u>	<u>3,414,659</u>
Less: Allowance for ECL	(215)	(506)
	<u>2,072,867</u>	<u>3,414,153</u>

Movements in the allowance for ECL on cash and short-term funds are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RM'000	non	credit-	Total ECL
		credit-	impaired	RM'000
		impaired	RM'000	
		RM'000		
2023				
At 1 January	506	-	-	506
Allowance made	100	-	-	100
Maturity/settlement/repayment	(393)	-	-	(393)
Foreign translation gain	2	-	-	2
Net total (Note (o))	<u>(291)</u>	<u>-</u>	<u>-</u>	<u>(291)</u>
At 31 March	<u>215</u>	<u>-</u>	<u>-</u>	<u>215</u>
2022				
As at 1 January	986	-	-	986
Allowance made	506	-	-	506
Maturity/settlement/repayment	(1,023)	-	-	(1,023)
Foreign translation gain	37	-	-	37
Net total (Note (o))	<u>(480)</u>	<u>-</u>	<u>-</u>	<u>(480)</u>
As at 31 December	<u>506</u>	<u>-</u>	<u>-</u>	<u>506</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

b. Debt instruments at fair value through other comprehensive income ("FVOCI")

	31-Mar-23 RM'000	31-Dec-22 RM'000
<u>Money market instruments</u>		
Government Islamic investments	<u>648,523</u>	<u>611,879</u>

Movements in the allowance for ECL on debt instruments at FVOCI are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-months ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
2023				
At 1 January	93	-	-	93
Allowance made	118	-	-	118
Maturity/settlement/repayment	(113)	-	-	(113)
Net total (Note (o))	5	-	-	5
At 31 March	<u>98</u>	<u>-</u>	<u>-</u>	<u>98</u>
2022				
At 1 January	409	-	-	409
Allowance made	93	-	-	93
Maturity/settlement/repayment	(409)	-	-	(409)
Net total (Note (o))	(316)	-	-	(316)
At 31 December	<u>93</u>	<u>-</u>	<u>-</u>	<u>93</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

c. Debt instruments at amortised cost ("AC")

	31-Mar-23	31-Dec-22
	RM'000	RM'000
<u>Money market instruments</u>		
Government Islamic investment	969,193	971,038
Less: Allowance for ECL	-	(147)
	<u>969,193</u>	<u>970,891</u>
<u>Private debt securities of companies incorporated in Malaysia</u>		
Unquoted corporate sukuk	84,000	87,000
Less: Allowance for ECL	(2)	(2)
	<u>83,998</u>	<u>86,998</u>
Total debt instruments at AC	<u>1,053,191</u>	<u>1,057,889</u>

Movements in the allowance for ECL on debt instruments at AC are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-months	Lifetime	Lifetime	Total ECL
	ECL	ECL	ECL	RM'000
	RM'000	non	credit-	
		credit-	impaired	
		impaired	RM'000	
		RM'000		
2023				
At 1 January	149	-	-	149
Allowance made	-	-	-	-
Maturity/settlement/repayment	(147)	-	-	(147)
Net total (Note (o))	(147)	-	-	(147)
At 31 March	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
2022				
At 1 January	26	-	-	26
Allowance made	147	-	-	147
Maturity/settlement/repayment	(24)	-	-	(24)
Net total (Note (o))	123	-	-	123
At 31 December	<u>149</u>	<u>-</u>	<u>-</u>	<u>149</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)

EXPLANATORY NOTES

d. Financing, advances and others

(i) Financing by type of Shariah contract:

	Sale based contracts			Total RM'000
	Tawarruq RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	
2023				
Term financing and revolving credits:				
- Housing financing	3,504,244	-	-	3,504,244
- Other term financing and revolving credits	5,183,027	-	-	5,183,027
Trust receipts	5,393	-	-	5,393
Claim on customers under acceptance credit	-	155,672	1,193	156,865
Gross financing, advances and others	<u>8,692,664</u>	<u>155,672</u>	<u>1,193</u>	<u>8,849,529</u>
Allowance for ECL on financing, advances and others:				
Stage 1 - 12-month ECL				(19,428)
Stage 2 - Lifetime ECL non credit-impaired				(49,413)
Stage 3 - Lifetime ECL credit-impaired				<u>(139,679)</u>
Net financing, advances and others				<u>8,641,009</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

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

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

	Sale based contracts			Total RM'000
	Tawarruq RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	
2022				
Term financing and revolving credits:				
- Housing financing	3,441,940	-	-	3,441,940
- Other term financing	5,069,540	-	-	5,069,540
Trust receipts	8,703	-	-	8,703
Claim on customers under acceptance credit	-	114,119	1,130	115,249
Gross financing, advances and others	<u>8,520,183</u>	<u>114,119</u>	<u>1,130</u>	<u>8,635,432</u>
Allowance for ECL on financing, advances and others:				
Stage 1 - 12-month ECL				(17,786)
Stage 2 - Lifetime ECL non credit-impaired				(22,752)
Stage 3 - Lifetime ECL credit-impaired				<u>(132,706)</u>
Net financing, advances and others				<u>8,462,188</u>

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") allowance arising thereon.

As at 31 March 2023, the gross exposure and expected credit loss relating to RSIA financing amounted to RM2,516,865,622 (2022: RM2,371,390,347) and RM19,744,860 (2022: RM17,383,012) respectively.

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35. 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-23	31-Dec-22
	RM'000	RM'000
Maturing within one year	742,672	588,267
One year to three years	1,538,721	1,154,727
Three years to five years	778,866	1,164,643
Over five years	5,789,270	5,727,795
	<u>8,849,529</u>	<u>8,635,432</u>

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

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Domestic non-banking financial institutions:		
- Others	1,099,968	1,087,117
Domestic business enterprises:		
- Small and medium enterprises	1,876,330	1,866,517
- Others	2,103,564	1,977,245
Individuals	3,623,093	3,557,518
Foreign entities	146,574	147,035
	<u>8,849,529</u>	<u>8,635,432</u>

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

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Fixed rate:		
- Fixed rate financing	1,403,054	1,354,008
Variable rates:		
- Base rate/base financing rate-plus	4,991,145	4,922,508
- Cost-plus	2,455,330	2,358,916
	<u>8,849,529</u>	<u>8,635,432</u>

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35. 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-23	31-Dec-22
	RM'000	RM'000
Agriculture	279,347	262,358
Mining and quarrying	93,332	90,251
Manufacturing	1,005,981	1,059,492
Electricity, gas and water	414,527	386,232
Construction	351,521	362,925
Wholesale, retail trade, restaurants and hotels	1,000,317	943,902
Transport, storage and communication	259,265	161,509
Finance, insurance and business services	1,280,932	1,271,117
Real estate	308,365	305,560
Community, social and personal services	86,275	87,534
Households:		
- Purchase of residential properties	3,511,644	3,449,434
- Purchase of non-residential properties	196,167	194,329
- Others	61,856	60,789
	<u>8,849,529</u>	<u>8,635,432</u>

(vi) Movements in the Allowance for ECL on financing, advances and others:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	non credit-	non credit-	credit-	
	impaired	impaired	impaired	
	RM'000	RM'000	RM'000	Total ECL
				RM'000
2023				
At 1 January	17,786	22,752	132,706	173,244
Transferred to Stage 1	367	(3,346)	(457)	(3,436)
Transferred to Stage 2	(372)	19,828	(1,106)	18,350
Transferred to Stage 3	(5)	(1,550)	4,530	2,975
Allowance made	2,922	13,198	7,073	23,193
Maturity/settlement/repayment	(1,270)	(1,469)	(1,916)	(4,655)
Net total (Note (o))	1,642	26,661	8,124	36,427
Amounts written-off	-	-	(1,151)	(1,151)
At 31 March	<u>19,428</u>	<u>49,413</u>	<u>139,679</u>	<u>208,520</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

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

(vi) Movements in the Allowance for ECL on financing, advances and others (cont'd.):

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-months	Lifetime	Lifetime	Total ECL
	ECL	ECL	ECL	
	non credit-	non credit-	credit-	
	impaired	impaired	impaired	
	RM'000	RM'000	RM'000	RM'000
2022				
At 1 January	16,663	38,497	108,844	164,004
Transfer from business acquisition	93	531	660	1,284
Transferred to Stage 1	6,889	(21,418)	(2,988)	(17,517)
Transferred to Stage 2	(1,064)	12,198	(850)	10,284
Transferred to Stage 3	(417)	(2,491)	27,529	24,621
Allowance made	10,044	40	9,191	19,275
Maturity/settlement/repayment	(14,422)	(4,605)	(3,717)	(22,744)
Net total (Note (o))	1,030	(16,276)	29,165	13,919
Amounts written-off	-	-	(5,963)	(5,963)
At 31 December	<u>17,786</u>	<u>22,752</u>	<u>132,706</u>	<u>173,244</u>

(vii) Movements in credit-impaired financing, advances and others:

	31-Mar-23	31-Dec-22
	RM'000	RM'000
At beginning of the financial year	251,343	200,362
Transfer from business acquisition	-	3,304
Classified as credit-impaired during the financial year	22,706	103,502
Amount recovered	(6,633)	(24,614)
Reclassified as non credit-impaired	(8,210)	(24,861)
Amount written-off	(1,155)	(6,350)
Gross credit-impaired financing, advances and others	<u>258,051</u>	<u>251,343</u>
Less: Stage 3 - Lifetime ECL credit-impaired	(139,679)	(132,706)
Net credit-impaired financing, advances and others	<u>118,372</u>	<u>118,637</u>
Ratio of net credit-impaired financing, advances and others to gross financing, advances and others less Allowance for ECL on credit-impaired provisions	<u>1.4%</u>	<u>1.4%</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

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

(viii) Credit-impaired financing, advances and others analysed by economic sectors:

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Mining and quarrying	81,885	81,862
Manufacturing	7,866	7,814
Construction	31,458	31,598
Wholesale, retail trade, restaurants and hotels	16,270	15,759
Transport, storage and communication	3,317	3,317
Finance, insurance and business services	2,437	2,411
Community, social and personal services	4,967	4,954
Households:		
- Purchase of residential properties	104,956	99,293
- Purchase of non-residential properties	4,821	4,114
- Others	74	221
	<u>258,051</u>	<u>251,343</u>

(ix) Credit-impaired financing, advances and others analysed by geographical distribution:

	31-Mar-23	31-Dec-22
	RM'000	RM'000
In Malaysia	<u>258,051</u>	<u>251,343</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

e. Other assets

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Other receivables, deposits and prepayments	8,780	10,538
Profit receivables	23,769	14,165
Less: Allowance for ECL	<u>(2,590)</u>	<u>(1,683)</u>
	<u>29,959</u>	<u>23,020</u>

Movements in the allowance for ECL on other assets are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12-months</u>	<u>Lifetime</u>	<u>Lifetime</u>	
	<u>ECL</u>	<u>ECL</u>	<u>ECL</u>	
	<u>RM'000</u>	<u>non credit-</u>	<u>credit-</u>	<u>Total ECL</u>
	<u>RM'000</u>	<u>impaired</u>	<u>impaired</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2023				
At 1 January	1,131	552	-	1,683
Allowance made	1,102	324	-	1,426
Maturity/settlement/repayment	(294)	(228)	-	(522)
Foreign translation gain	2	1	-	3
Net total (Note(o))	810	97	-	907
At 31 March	<u>1,941</u>	<u>649</u>	<u>-</u>	<u>2,590</u>
2022				
At 1 January	2	1	-	3
Allowance made	1,131	551	-	1,682
Maturity/settlement/repayment	(2)	-	-	(2)
Net total (Note(o))	1,129	551	-	1,680
At 31 December	<u>1,131</u>	<u>552</u>	<u>-</u>	<u>1,683</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

f. 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 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
2023			
Foreign exchange contracts:			
- Forwards	1,381,601	16,195	7,166
- Swaps	-	-	9,310
Profit rate related contracts:			
- Swaps	795,640	5,625	5,296
	<u>795,640</u>	<u>21,820</u>	<u>21,772</u>
2022			
Foreign exchange contracts:			
- Forwards	839,202	33,761	29,765
- Swaps	-	-	2,083
Profit rate related contracts:			
- Swaps	476,500	6,942	6,559
	<u>476,500</u>	<u>40,703</u>	<u>38,407</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

g. Deposits from customers

(i) By type of deposits:

	31-Mar-23	31-Dec-22
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits:		
- Qard	994,539	665,189
Savings deposits:		
- Qard	78,103	73,393
Fixed deposits:		
- Tawarruq	4,286,932	4,598,424
Other deposits:		
- Tawarruq	236,779	60,676
	<u>5,596,353</u>	<u>5,397,682</u>

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

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Due within six months	928,214	2,219,342
Six months to one year	3,186,644	2,369,081
One year to three years	240	10,001
Three years to five years	171,834	-
	<u>4,286,932</u>	<u>4,598,424</u>

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

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Business enterprises	1,794,415	1,462,398
Individuals	3,372,192	3,672,164
Others	429,746	263,120
	<u>5,596,353</u>	<u>5,397,682</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

h. Investment accounts due to designated financial institutions

	31-Mar-23	31-Dec-22
	RM'000	RM'000
<u>Mudharabah RSIA</u>		
Licensed bank	3,545,023	3,584,458
Amount receivable from Conventional Bank	(41,965)	(17,383)
	<u>3,503,058</u>	<u>3,567,075</u>

i. Deposits and placements of banks and other financial institutions

	31-Mar-23	31-Dec-22
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	<u>2,957,818</u>	<u>4,027,838</u>

j. Other liabilities

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Allowance for ECL for commitments and contingencies	7,438	10,745
Accrued profit payables	37,190	28,833
Accruals and provisions for operational expenses	871	1,004
Other payables and accruals	2,436	3,176
Deferred income	7,098	7,544
	<u>55,033</u>	<u>51,302</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

j. Other liabilities (cont'd.)

Movements in the allowance for ECL on commitments and contingencies are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-months ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
2023				
At 1 January	9,742	1,003	-	10,745
Transferred to Stage 1	18	(33)	-	(15)
Transferred to Stage 2	(85)	199	-	114
Allowance made	202	249	-	451
Maturity/settlement/repayment	(3,572)	(285)	-	(3,857)
Net total (Note (o))	(3,437)	130	-	(3,307)
At 31 March	6,305	1,133	-	7,438
2022				
At 1 January	12,703	4,140	-	16,843
Transferred to Stage 1	3,439	(3,836)	-	(397)
Transferred to Stage 2	(515)	698	-	183
Allowance made	722	814	-	1,536
Maturity/settlement/repayment	(6,608)	(813)	-	(7,421)
Foreign translation gain	1	-	-	1
Net total (Note (o))	(2,961)	(3,137)	-	(6,098)
At 31 December	9,742	1,003	-	10,745

k. Islamic Banking funds

	31-Mar-23 RM'000	31-Dec-22 RM'000
Capital fund	450,000	450,000
FVOCI reserve	65	(3,318)
Retained profits	99,957	86,744
	<u>550,022</u>	<u>533,426</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

I. Income derived from depositors' funds

	First Quarter ended		Three months ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	57,103	43,278	57,103	43,278
Money at call and deposit placements with financial institutions	2,056	4,231	2,056	4,231
FVOCI securities	13,096	11,713	13,096	11,713
	<u>72,255</u>	<u>59,222</u>	<u>72,255</u>	<u>59,222</u>
<u>Other operating income</u>				
Trading income	817	814	817	814
Commision income	1,870	1,312	1,870	1,312
Fee income	2,319	3,200	2,319	3,200
Others	41	34	41	34
	<u>77,302</u>	<u>64,582</u>	<u>77,302</u>	<u>64,582</u>

m. Income derived from investment of Islamic Banking funds

	First Quarter ended		Three months ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	5,694	3,357	5,694	3,357
Money at call and deposit placements with financial institutions	204	334	204	334
FVOCI securities	1,306	915	1,306	915
	<u>7,204</u>	<u>4,606</u>	<u>7,204</u>	<u>4,606</u>
<u>Other operating income</u>				
Trading income	82	65	82	65
Commision income	186	100	186	100
Fee income	233	267	233	267
Others	4	3	4	3
	<u>7,709</u>	<u>5,041</u>	<u>7,709</u>	<u>5,041</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

n. Income derived from investment of Investment Account funds

	First Quarter ended		Three months ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	30,332	20,490	30,332	20,490
Money at call and deposit placements with financial institutions	7,575	3,530	7,575	3,530
	<u>37,907</u>	<u>24,020</u>	<u>37,907</u>	<u>24,020</u>
<u>Other operating income</u>				
Fee income	829	456	829	456
	<u>38,736</u>	<u>24,476</u>	<u>38,736</u>	<u>24,476</u>

o. Allowance for/(write-back of) ECL

	First Quarter ended		Three months ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
Financing, advances and others: (Note d(vi))				
- Stage 1 ECL	1,642	4,525	1,642	4,525
- Stage 2 ECL	26,661	(736)	26,661	(736)
- Stage 3 ECL	8,124	2,490	8,124	2,490
Movement in ECL for RSIA holder*	(31,157)	(5,173)	(31,157)	(5,173)
	<u>5,270</u>	<u>1,106</u>	<u>5,270</u>	<u>1,106</u>
Credit-impaired financing, advances and others:				
- written-off	158	17	158	17
- recovered	(800)	(6)	(800)	(6)
	<u>4,628</u>	<u>1,117</u>	<u>4,628</u>	<u>1,117</u>
Other financial assets:				
- Stage 1 ECL	377	882	377	882
- Stage 2 ECL	97	581	97	581
	<u>474</u>	<u>1,463</u>	<u>474</u>	<u>1,463</u>

* The RSIA holder is the Conventional Banking (Note d(i))

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

o. Allowance for/(write-back of) ECL (cont'd.)

Commitments and contingencies:

- Stage 1 ECL	(3,437)	2,888	(3,437)	2,888
- Stage 2 ECL	130	(86)	130	(86)
Movement in ECL for RSIA holder*	6,578	(4,274)	6,578	(4,274)
	<u>3,271</u>	<u>(1,472)</u>	<u>3,271</u>	<u>(1,472)</u>
Total	<u>8,373</u>	<u>1,108</u>	<u>8,373</u>	<u>1,108</u>

p. Income attributable to depositors

	First Quarter ended		Three months ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors from non-mudharabah fund	<u>56,494</u>	<u>40,502</u>	<u>56,494</u>	<u>40,502</u>

q. Income attributable to Investment Account holders

	First Quarter ended		Three months ended	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositor from mudharabah fund	<u>30,565</u>	<u>19,216</u>	<u>30,565</u>	<u>19,216</u>

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35. ISLAMIC BANKING OPERATIONS (Cont'd.)
EXPLANATORY NOTES

r. Other operating expenses

	First Quarter ended		Three months ended	
	31-Mar-23 RM'000	31-Mar-22 RM'000	31-Mar-23 RM'000	31-Mar-22 RM'000
Personnel expenses	1,002	712	1,002	712
Establishment related expenses	1,690	1,053	1,690	1,053
Promotion and marketing related expenses	22	35	22	35
General administrative expenses	8,251	6,653	8,251	6,653
	<u>10,965</u>	<u>8,453</u>	<u>10,965</u>	<u>8,453</u>
Personnel expenses:				
- Wages, salaries and bonus	836	568	836	568
- Defined contribution plan	133	91	133	91
- Other employee benefits	33	53	33	53
	<u>1,002</u>	<u>712</u>	<u>1,002</u>	<u>712</u>
Establishment related expenses:				
- Depreciation of property, plant and equipment	471	212	471	212
- Depreciation of right-of-use assets	26	-	26	-
- Information technology costs	407	300	407	300
- Repair and maintenance	35	1	35	1
- Short-term lease expenses	-	2	-	2
- Others	751	538	751	538
	<u>1,690</u>	<u>1,053</u>	<u>1,690</u>	<u>1,053</u>
Promotion and marketing related expenses:				
- Advertisement and publicity	22	35	22	35
General administrative expenses:				
- Fees and commissions paid	163	61	163	61
- Management fee	7,720	6,291	7,720	6,291
- Others	368	301	368	301
	<u>8,251</u>	<u>6,653</u>	<u>8,251</u>	<u>6,653</u>

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

s. 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
2023			
Direct credit substitutes	141,260	141,260	159,341
Transaction-related contingent items	194,141	97,152	108,944
Short-term self-liquidating trade-related contingencies	5,893	1,179	1,038
Foreign exchange related contracts:			
- Less than one year	1,381,600	29,938	12,726
- More than one year to less than five years	-	-	-
Profit rate related contracts:			
- Less than one year	395,640	989	692
- More than one year to less than five years	400,000	4,362	1,276
Undrawn credit facility:			
- Less than one year	274,182	12,688	4,928
- More than one year	857,931	616,256	267,886
- Unconditionally cancellable	972,668	-	-
Total	<u>4,623,315</u>	<u>903,824</u>	<u>556,831</u>
2022			
Direct credit substitutes	137,779	137,778	261,648
Transaction-related contingent items	201,412	101,196	163,942
Short-term self-liquidating trade-related contingencies	3,150	2,052	486
Foreign exchange related contracts:			
- Less than one year	834,445	12,836	9,746
- More than one year to less than five years	4,757	283	198
Profit rate related contracts:			
- Less than one year	376,500	941	659
- More than one year to less than five years	100,000	1,000	262
Undrawn credit facility:			
- Less than one year	315,820	12,099	4,232
- More than one year	897,964	635,263	280,511
- Unconditionally cancellable	1,098,771	-	-
Total	<u>3,970,598</u>	<u>903,448</u>	<u>721,684</u>

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

t. 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-23	31-Dec-22
	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Retained profits	86,744	86,744
Other reserves	66	(3,318)
Regulatory adjustments applied in the calculation of CET1 Capital	(9,911)	(14,025)
Total CET1/Tier 1 Capital	<u>526,899</u>	<u>519,401</u>
<u>Tier 2 Capital</u>		
Financing loss provision:		
- Surplus eligible provisions over expected losses	19,441	18,722
- General provisions	831	788
Total Tier 2 Capital	<u>20,272</u>	<u>19,510</u>
Total Capital	<u>547,171</u>	<u>538,911</u>

(a) The capital adequacy ratios are as follows:

	31-Mar-23	31-Dec-22
	RM'000	RM'000
Before the effects of RSIA		
CET1/Tier 1 Capital	8.435%	9.521%
Total Capital	<u>9.018%</u>	<u>10.101%</u>
After the effects of RSIA		
CET1/Tier 1 Capital	14.836%	15.221%
Total Capital	<u>15.406%</u>	<u>15.793%</u>

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 2023, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM2,695,083,605 (2022: RM2,043,006,700).

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35. ISLAMIC BANKING OPERATIONS (cont'd.)
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t. 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-23	31-Dec-22
	RM'000	RM'000
Total RWA for credit risk	3,306,730	3,183,356
Total RWA for market risk	8,969	4,847
Total RWA for operational risk	235,896	224,198
	<u>3,551,595</u>	<u>3,412,401</u>