

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
31 MARCH 2019

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	Group		Bank	
		31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
ASSETS					
Cash and short-term funds	11	3,023,626	3,924,715	3,023,626	3,924,715
Deposits and placements with financial institutions	12	-	800,000	-	800,000
Securities purchased under resale agreements		4,018,950	4,603,059	4,018,950	4,603,059
Financial assets at fair value through profit or loss ("FVTPL")	13	2,311,289	1,811,633	2,311,289	1,811,633
Debt instruments at fair value through other comprehensive income ("FVOCI")	14	15,012,332	15,852,301	15,012,332	15,852,301
Equity instruments at fair value through other comprehensive income ("FVOCI")	15	114,640	114,445	114,640	114,445
Debt Instruments at amortised cost	16	225,190	228,315	225,190	228,315
Loans, advances and financing	17	81,264,858	81,913,278	81,382,767	82,034,675
Derivative financial assets	18	343,344	376,496	343,344	376,496
Other assets	19	497,790	651,888	503,191	652,099
Statutory deposits with Bank Negara Malaysia		2,064,381	2,016,869	2,064,381	2,016,869
Investment in subsidiaries		-	-	185,020	185,020
Investment in an associate		10,145	10,087	13,522	13,522
Property, plant and equipment		706,776	699,459	272,654	266,727
Right-of-use assets		26,665	-	81,821	-
Deferred tax assets		36,119	102,838	36,119	102,838
TOTAL ASSETS		109,656,105	113,105,383	109,588,846	112,982,714
LIABILITIES					
Deposits from customers	20	88,978,050	88,733,098	89,003,273	88,755,027
Deposits and placements of banks and other financial institutions	21	5,705,989	9,214,438	5,706,009	9,214,458
Bills and acceptances payable		378,161	414,255	378,161	414,255
Derivative financial liabilities	18	286,180	399,947	286,180	399,947
Other liabilities	22	2,143,720	2,548,407	2,145,893	2,546,618
Lease liabilities		24,428	-	71,776	-
Tax payable		11,500	62,140	10,896	60,908
Subordinated bonds	23	1,604,723	1,602,082	1,604,723	1,602,082
Deferred tax liabilities		20,559	20,559	-	-
TOTAL LIABILITIES		99,153,310	102,994,926	99,206,911	102,993,295

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)

AS AT 31 MARCH 2019

	Notes	Group		Bank	
		31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		792,555	792,555	792,555	792,555
Reserves		9,710,240	9,317,902	9,589,380	9,196,864
TOTAL EQUITY		10,502,795	10,110,457	10,381,935	9,989,419
TOTAL LIABILITIES AND EQUITY		109,656,105	113,105,383	109,588,846	112,982,714
COMMITMENTS AND CONTINGENCIES	33	97,497,068	101,959,153	97,130,311	101,588,370

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

Group	Note	First Quarter Ended		Three Months Ended	
		31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Operating revenue	25	1,531,115	1,433,418	1,531,115	1,433,418
Interest income	26	1,272,262	1,179,563	1,272,262	1,179,563
Interest expense	27	(763,035)	(682,135)	(763,035)	(682,135)
Net interest income		509,227	497,428	509,227	497,428
Net income from Islamic					
Banking operations	36	8,819	8,857	8,819	8,857
Other operating income	28	209,404	238,808	209,404	238,808
Operating income		727,450	745,093	727,450	745,093
Other operating expenses	29	(288,056)	(273,548)	(288,056)	(273,548)
Operating profit before allowance for expected credit losses		439,394	471,545	439,394	471,545
(Allowance for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(18,507)	(24,640)	(18,507)	(24,640)
Other financial assets	30	(8,423)	(4,774)	(8,423)	(4,774)
Commitments and contingencies	30	35,072	(10,048)	35,072	(10,048)
		447,536	432,083	447,536	432,083
Share of net profit of an associate		58	54	58	54
Profit before taxation		447,594	432,137	447,594	432,137
Income tax expense		(109,025)	(107,065)	(109,025)	(107,065)
Profit for the period attributable to equity holders of the Bank		338,569	325,072	338,569	325,072
Basic/diluted earnings per share (sen)		72.0	69.2	72.0	69.2

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 2018.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

Bank	Note	First Quarter		Three Months	
		Ended		Ended	
		31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
		RM'000	RM'000	RM'000	RM'000
Operating revenue	25	1,532,579	1,434,670	1,532,579	1,434,670
Interest income	26	1,273,663	1,180,776	1,273,663	1,180,776
Interest expense	27	(763,612)	(682,162)	(763,612)	(682,162)
Net interest income		510,051	498,614	510,051	498,614
Net income from Islamic					
Banking operations	36	8,819	8,857	8,819	8,857
Other operating income	28	209,467	238,847	209,467	238,847
Operating income		728,337	746,318	728,337	746,318
Other operating expenses	29	(289,109)	(275,461)	(289,109)	(275,461)
Operating profit before allowance for expected credit losses		439,228	470,857	439,228	470,857
(Allowance for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(18,497)	(24,868)	(18,497)	(24,868)
Other financial assets	30	(8,423)	(4,774)	(8,423)	(4,774)
Commitments and contingencies	30	35,072	(10,048)	35,072	(10,048)
Profit before taxation		447,380	431,167	447,380	431,167
Income tax expense		(108,633)	(106,705)	(108,633)	(106,705)
Profit for the period attributable to equity holders of the Bank		338,747	324,462	338,747	324,462
Basic/diluted earnings per share (sen)		72.1	69.0	72.1	69.0

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Profit for the period	338,569	325,072	338,569	325,072
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	70,554	22,961	70,554	22,961
Income tax effect	(16,933)	(5,511)	(16,933)	(5,511)
	53,621	17,450	53,621	17,450
<u>Items that will not be reclassified subsequently to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	195	(240)	195	(240)
Income tax effect	(47)	58	(47)	58
	148	(182)	148	(182)
Total other comprehensive income for the period, net of tax	53,769	17,268	53,769	17,268
Total comprehensive income for the period attributable to equity holders	392,338	342,340	392,338	342,340

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	First Quarter Ended		Three Months Ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Bank				
Profit for the period	338,747	324,462	338,747	324,462
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	70,554	22,961	70,554	22,961
Income tax effect	(16,933)	(5,511)	(16,933)	(5,511)
	53,621	17,450	53,621	17,450
<u>Items that will not be reclassified subsequently to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	195	(240)	195	(240)
Income tax effect	(47)	58	(47)	58
	148	(182)	148	(182)
Total other comprehensive income for the period, net of tax	53,769	17,268	53,769	17,268
Total comprehensive income for the period attributable to equity holders	392,516	341,730	392,516	341,730

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

GROUP

	← Non-distributable		→	Distributable	
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	792,555	190,019	92,712	9,035,171	10,110,457
Profit for the period	-	-	-	338,569	338,569
Other comprehensive income for the period	-	-	53,769	-	53,769
Total comprehensive income for the period	-	-	53,769	338,569	392,338
Balance as at 31 March 2019	792,555	190,019	146,481	9,373,740	10,502,795

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)****FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

GROUP (cont'd.)	← Non-distributable		Distributable →		Total	
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Net unrealised reserves on AFS securities		Retained profits
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018						
As previously stated	792,555	146,736	-	101,037	8,261,176	9,301,504
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	101,037	(101,037)	-	-
Balance as at 1 January 2018, as restated	792,555	146,736	101,037	-	8,261,176	9,301,504
Profit for the period	-	-	-	-	325,072	325,072
Other comprehensive income for the period	-	-	17,268	-	-	17,268
Total comprehensive income for the period	-	-	17,268	-	325,072	342,340
Balance as at 31 March 2018	792,555	146,736	118,305	-	8,586,248	9,643,844

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

BANK

	← Non-distributable	→	Distributable	
	Share capital	Fair value through other comprehensive income reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	792,555	85,810	9,111,054	9,989,419
Profit for the period	-	-	338,747	338,747
Other comprehensive income for the period	-	53,769	-	53,769
Total comprehensive income for the period	-	53,769	338,747	392,516
Balance as at 31 March 2019	792,555	139,579	9,449,801	10,381,935

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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CONDENSED INTERIM FINANCIAL STATEMENTS

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

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

BANK (cont'd.)	← Non-distributable Fair value through other comprehensive income reserve		→ Net unrealised reserves on AFS securities	Distributable Retained profits		Total
	Share capital	income reserve	on AFS securities	Retained profits	Total	
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018						
As previously stated	792,555	-	94,135	8,335,026		9,221,716
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	94,135	(94,135)	-		-
Balance as at 1 January 2018, as restated	792,555	94,135	-	8,335,026		9,221,716
Profit for the period	-	-	-	324,462		324,462
Other comprehensive income for the period	-	17,268	-	-		17,268
Total comprehensive income for the period	-	17,268	-	324,462		341,730
Balance as at 31 March 2018	792,555	111,403	-	8,659,488		9,563,446

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Group		Bank	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	447,594	432,137	447,380	431,167
Adjustments for non-operating and non-cash items	(59,506)	(6,967)	(36,951)	(11,823)
Operating profit before working capital changes	388,088	425,170	410,429	419,344
Changes in working capital:				
Net changes in operating assets	722,010	(5,623,734)	661,410	(5,617,606)
Net changes in operating liabilities	(3,733,042)	4,498,201	(3,700,046)	4,489,050
Tax expense paid	(109,926)	(88,751)	(108,906)	(88,557)
Net cash generated from operating activities	(2,732,870)	(789,114)	(2,737,113)	(797,769)
Net cash from/(used in) investing activities	1,029,141	(105,776)	1,033,383	(97,121)
Net cash from/(used in) financing activities	2,640	(812)	2,641	(812)
Net decrease in cash and cash equivalents	(1,701,089)	(895,702)	(1,701,089)	(895,702)
Cash and cash equivalents at beginning of the period	4,724,715	8,588,916	4,724,715	8,588,916
Cash and cash equivalents at end of the period	3,023,626	7,693,214	3,023,626	7,693,214
Analysis of cash and cash equivalents				
Cash and short-term funds	3,023,626	6,393,214	3,023,626	6,393,214
Deposits and placements with financial institutions	-	1,300,000	-	1,300,000
	3,023,626	7,693,214	3,023,626	7,693,214

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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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 2018. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial positions and performance of the Group and of the Bank since the financial year ended 31 December 2018.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2018, except for the adoption of the following MFRS, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretation, which are only applicable for financial periods beginning on or after 1 January 2019:

MFRS 16 Leases

Amendments to MFRS 9 Prepayment Features with Negative Compensation

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

Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement

Annual Improvements to MFRS Standards 2015-2017 Cycle

IC Interpretation 23 Uncertainty over Income Tax Treatments

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

MFRS 16

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

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

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EXPLANATORY NOTES

1. BASIS OF PREPARATION (cont'd.)

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3 Definition of a Business
Amendments to MFRS 101 Definition of Material
Amendments to MFRS 108 Definition of Material

Effective for financial periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective for financial periods to be determined by the MASB

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

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and of the Bank.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The business operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and of the Bank for the financial period ended 31 March 2019.

5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Group and of the Bank for the financial period ended 31 March 2019.

6. DEBT AND EQUITY SECURITIES

There were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Group and the Bank during the financial period ended 31 March 2019.

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that was brought forward from the previous audited financial statements for the financial year ended 31 December 2018.

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EXPLANATORY NOTES

8. DIVIDENDS

There were no dividend paid for the financial period ended 31 March 2019.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

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

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period ended 31 March 2019.

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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
Cash and balances with banks and other financial institutions	430,208	476,049
Money at call and deposit placements maturing within one month	<u>2,615,736</u>	<u>3,475,787</u>
	3,045,944	3,951,836
Less: Allowance for ECL	<u>(22,318)</u>	<u>(27,121)</u>
	<u>3,023,626</u>	<u>3,924,715</u>

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
Licensed banks	<u>-</u>	<u>800,000</u>

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

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	769,106	967,779
Malaysian Government treasury bills	97,017	123,525
Malaysian Government securities	1,445,166	360,554
Private debt securities	-	159,735
Negotiable instruments of deposits	-	200,040
	<u>2,311,289</u>	<u>1,811,633</u>

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

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	-	149,899
Malaysian Government securities	7,298,335	7,668,583
Negotiable instruments of deposits	5,440,558	5,812,558
Cagamas bonds	1,605,901	1,613,027
Less: Allowance for ECL	(14,305)	(10,661)
	14,330,489	15,233,406
Private debt securities of companies incorporated		
In Malaysia		
Quoted corporate bonds	726,054	652,212
Less: Allowance for ECL	(44,487)	(33,593)
	681,567	618,619
Unquoted securities		
Private debt securities	276	276
	276	276
Total debt instruments at FVOCI	15,012,332	15,852,301

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

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
Quoted securities		
Shares of corporations in Malaysia	2,151	1,956
Unquoted securities		
Shares of corporations in Malaysia	112,489	112,489
	114,640	114,445

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

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
Private debt securities of companies incorporated		
In Malaysia		
Unquoted corporate bonds	233,750	236,875
Less: Allowance for ECL	(8,560)	(8,560)
	225,190	228,315

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

	Group		Bank	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Overdrafts	3,249,153	3,296,981	3,249,153	3,296,981
Term loans/financing and revolving credits				
- Housing loans/financing	31,566,856	31,082,702	31,566,856	31,082,702
- Syndicated term loans/financing	634,447	618,983	634,447	618,983
- Other term loans/financing	35,990,066	36,414,587	36,109,238	36,537,257
Credit card receivables	2,707,161	2,775,736	2,707,161	2,775,736
Bills receivables	436,982	930,165	436,982	930,165
Trust receipts	2,558,240	2,575,485	2,558,240	2,575,485
Claims on customers under acceptance credits	5,623,199	5,717,466	5,623,199	5,717,466
Staff loans	37,571	37,183	37,571	37,183
Others	7,501	10,247	7,501	10,247
	82,811,176	83,459,535	82,930,348	83,582,205
Unearned interest/income	(180,442)	(174,019)	(180,442)	(174,019)
Gross loans, advances and financing	82,630,734	83,285,516	82,749,906	83,408,186
Allowances for impairment on loans advances and financing				
-Stage 1- 12 month ECL	(797,957)	(797,395)	(799,220)	(798,668)
-Stage 2- Lifetime ECL non credit-impaired	(357,814)	(362,169)	(357,814)	(362,169)
-Stage 3- Lifetime ECL credit-impaired	(210,105)	(212,674)	(210,105)	(212,674)
Net loans, advances and financing	81,264,858	81,913,278	81,382,767	82,034,675

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

	Group		Bank	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Maturing within one year	22,959,636	24,325,312	22,959,636	24,325,312
One year to three years	4,889,362	4,730,492	5,008,534	4,853,162
Three years to five years	5,156,483	4,961,830	5,156,483	4,961,830
Over five years	49,625,253	49,267,882	49,625,253	49,267,882
	82,630,734	83,285,516	82,749,906	83,408,186

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

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Domestic non-banking financial institutions				
- Stockbroking companies	10,041	10,373	10,041	10,373
- Others	335,406	757,929	335,406	757,929
Domestic business enterprises				
- Small medium enterprises	17,524,898	17,687,565	17,524,898	17,687,565
- Others	16,857,216	16,601,228	16,976,388	16,723,898
Individuals	41,559,509	41,191,581	41,559,509	41,191,581
Foreign entities	6,343,664	7,036,840	6,343,664	7,036,840
	82,630,734	83,285,516	82,749,906	83,408,186

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

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	36,702	36,387	36,702	36,387
- Other fixed rate loans /financing	9,458,342	9,616,001	9,458,342	9,616,001
Variable rate				
- Base rate/base lending /financing rate-plus	53,890,433	53,589,211	53,890,433	53,589,211
- Cost-plus	18,738,195	19,493,298	18,857,367	19,615,968
- Other variable rates	507,062	550,619	507,062	550,619
	82,630,734	83,285,516	82,749,906	83,408,186

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

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,345,761	1,550,623	1,345,761	1,550,623
Mining and quarrying	291,979	827,392	291,979	827,392
Manufacturing	7,016,736	7,032,638	7,016,736	7,032,638
Electricity, gas and water	228,721	241,989	228,721	241,989
Construction	7,120,260	7,061,239	7,120,260	7,061,239
Wholesale, retail trade, restaurants and hotels	10,752,112	11,103,719	10,752,112	11,103,719
Transport, storage and communication	1,584,269	1,396,309	1,584,269	1,396,309
Finance, insurance and business services	3,197,303	3,317,014	3,197,303	3,317,014
Real estate	4,031,650	4,067,240	4,150,822	4,189,910
Community, social and personal services	175,674	162,448	175,674	162,448
Households				
- purchase of residential properties	32,329,662	31,851,983	32,329,662	31,851,983
- purchase of non residential properties	9,002,106	9,046,495	9,002,106	9,046,495
- others	5,554,501	5,626,427	5,554,501	5,626,427
	82,630,734	83,285,516	82,749,906	83,408,186

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

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
As at 1 January	1,433,152	1,350,419
Classified as impaired during the financial period/year	173,407	1,001,207
Amount recovered	(71,648)	(370,124)
Reclassified as non-impaired	(53,859)	(312,772)
Amount written off	(29,351)	(235,578)
As at 31 March/31 December	<u>1,451,701</u>	<u>1,433,152</u>
Less: Stage 3-Lifetime ECL credit-impaired	(210,105)	(212,674)
Net impaired loans, advances and financing	<u>1,241,596</u>	<u>1,220,478</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less allowance for ECL on credit-impaired provisions	<u>1.5%</u>	<u>1.5%</u>

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

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	610	661
Mining and quarrying	1,533	-
Manufacturing	144,559	136,935
Construction	200,806	204,187
Wholesale, retail trade, restaurants and hotels	173,642	173,862
Transport, storage and communication	70,588	70,630
Finance, insurance and business services	22,218	23,531
Real estate	206,653	209,088
Community, social and personal services	126	541
Households		
- purchase of residential properties	452,824	444,979
- purchase of non-residential properties	84,683	79,010
- others	93,459	89,728
	<u>1,451,701</u>	<u>1,433,152</u>

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

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
In Malaysia	<u>1,451,701</u>	<u>1,433,152</u>

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EXPLANATORY NOTES**18. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)**

Financial derivatives are instruments whose values change in response to the change in one or more “underlying”, such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases for customers, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 March 2019			
Foreign exchange contracts			
- forwards	8,033,387	54,798	39,117
- swaps	13,652,973	49,065	86,271
- options	943,567	4,333	926
Interest rate related contracts			
- swaps	21,449,592	189,663	111,948
- futures	1,083,052	143	194
Equity related contracts			
- swaps	231,410	10,713	10,666
- options	582,824	11,563	14,841
Commodity related contracts			
- swaps	712,129	18,832	15,642
- futures	374,672	1,140	6,575
- options	126,668	3,094	-
		343,344	286,180

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EXPLANATORY NOTES**18. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (cont'd.)**

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2018			
Foreign exchange contracts			
- forwards	7,931,513	86,357	70,023
- swaps	16,964,555	30,824	107,689
- options	797,961	3,258	808
Interest rate related contracts			
- swaps	21,399,277	179,274	133,776
- futures	3,723,824	-	2,964
Equity related contracts			
- swaps	260,441	28,885	28,885
- options	700,536	9,235	13,984
Commodity related contracts			
- swaps	400,292	31,496	40,156
- futures	106,078	2,418	1,662
- options	128,262	4,749	-
		<u>376,496</u>	<u>399,947</u>

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

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EXPLANATORY NOTES**19. OTHER ASSETS**

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	176,263	259,866	181,520	259,939
Accrued interest/income receivable	188,331	205,603	188,331	205,603
Amount due from subsidiaries	-	-	144	138
Amount due from ultimate holding company	16,093	15,869	16,093	15,869
Precious metal accounts	118,479	173,229	118,479	173,229
Less: Allowance for ECL	(1,376)	(2,679)	(1,376)	(2,679)
	497,790	651,888	503,191	652,099

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Demand deposits	20,641,540	21,027,840	20,666,763	21,049,769
Savings deposits	3,876,334	3,654,396	3,876,334	3,654,396
Fixed deposits	61,472,988	60,717,079	61,472,988	60,717,079
Others	2,987,188	3,333,783	2,987,188	3,333,783
	88,978,050	88,733,098	89,003,273	88,755,027

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

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Due within six months	36,268,954	36,398,052	36,268,954	36,398,052
Six months to one year	24,903,197	24,058,409	24,903,197	24,058,409
One year to three years	137,637	96,889	137,637	96,889
Three years to five years	163,200	163,729	163,200	163,729
	61,472,988	60,717,079	61,472,988	60,717,079

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

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

	Group		Bank	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Business enterprises				
- Subsidiaries	-	-	25,223	21,929
- Related companies	1,008	1,054	1,008	1,054
- Others	34,892,439	34,113,169	34,892,439	34,113,169
Individuals	48,113,162	48,188,124	48,113,162	48,188,124
Others	5,971,441	6,430,751	5,971,441	6,430,751
	88,978,050	88,733,098	89,003,273	88,755,027

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Licensed banks in Malaysia	2,627,046	1,848,770	2,627,046	1,848,770
Bank Negara Malaysia	765,754	864,808	765,754	864,808
Other financial institutions	2,313,189	6,500,860	2,313,209	6,500,880
	5,705,989	9,214,438	5,706,009	9,214,458

22. OTHER LIABILITIES

	Group		Bank	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 RM'000
Allowance for ECL on commitments and contingencies	113,448	148,529	113,448	148,529
Accrued interest payable	570,987	603,659	570,987	603,659
Accruals and provisions for operational expenses	83,330	198,426	82,337	196,863
Other payables and accruals	1,224,446	1,435,180	1,227,612	1,434,954
Deferred income	151,509	162,613	151,509	162,613
	2,143,720	2,548,407	2,145,893	2,546,618

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EXPLANATORY NOTES**23. SUBORDINATED BONDS**

	Group and Bank	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
<i>At amortised cost</i>		
RM1 billion subordinated bond 2015/2025, at par (Note (a))	1,001,372	1,001,690
RM600 million subordinated bond 2018/2028, at par (Note (b))	603,351	600,392
	1,604,723	1,602,082
Accumulated fair value hedge loss (Note (c))	(4,723)	(2,082)

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

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

The Bond 1 may be redeemed at par at the option of the Bank, in part or in whole, on 8 May 2020 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 8 May and 8 November each year commencing 9 November 2015.

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

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

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

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

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

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

- (c) Fair value hedge

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

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

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

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

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

The movements in fair value of the interest rate swap of RM2,641,000 (31 December 2018: RM620,000) are recognised in trading and investment income during the period. There is no ineffectiveness recognised for this hedge.

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

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

	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 and Bank				
As at 1 January 2019	42,080	574	39,960	82,614
<u>Movements with profit or loss impact:</u>				
New/additional during the period	135,691	134	-	135,825
Maturity/settlement/reduction during the period	(126,891)	(459)	-	(127,350)
Exchanges differences	(54)	2	-	(52)
<u>Movements without profit or loss impact:</u>				
Reclassification/Amounts written off	-	9	-	9
As at 31 March 2019	50,826	260	39,960	91,046
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	46,092	1,128	39,960	87,180
As at 1 January 2018, restated	46,092	1,128	39,960	87,180
<u>Movements with profit or loss impact:</u>				
New/additional during the year	122,844	-	-	122,844
Maturity/settlement/reduction during the year	(126,856)	(554)	-	(127,410)
As at 31 December 2018	42,080	574	39,960	82,614

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EXPLANATORY NOTES

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

(b) Commitments and contingencies

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit-impaired RM'000	
As at 1 January 2019	101,107	31,860	15,562	148,529
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	3,471	(7,875)	-	(4,404)
Transferred to Stage 2	(4,521)	6,531	-	2,010
New/additional during the period	66,418	8,380	-	74,798
Maturity/settlement/reduction during the period	(91,414)	(13,591)	(2,345)	(107,350)
Exchanges differences	(118)	(8)	-	(126)
<u>Movements without profit or loss impact:</u>				
Reclassification/Amounts written off	-	(9)	-	(9)
As at 31 March 2019	74,943	25,288	13,217	113,448
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	74,010	14,275	17,111	105,396
As at 1 January 2018, restated	74,010	14,275	17,111	105,396
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	16,992	(23,616)	(2)	(6,626)
Transferred to Stage 2	(23,094)	46,826	(55)	23,677
Transferred to Stage 3	(2)	(7)	410	401
New/additional during the year	356,117	117,779	265	474,161
Maturity/settlement/reduction during the year	(323,005)	(123,373)	(2,169)	(448,547)
Exchanges differences	89	(24)	2	67
As at 31 December 2018	101,107	31,860	15,562	148,529

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

Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit-impaired RM'000	
As at 1 January 2019	797,395	362,169	212,674	1,372,238
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	18,601	(26,757)	(1,408)	(9,564)
Transferred to Stage 2	(17,816)	55,744	(2,682)	35,246
Transferred to Stage 3	(245)	(13,327)	27,557	13,985
New/additional during the period	73,613	10,387	29,584	113,584
Maturity/settlement/reduction during the period	(73,060)	(30,367)	(24,313)	(127,740)
Exchanges differences	(531)	(35)	-	(566)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(24,995)	(24,995)
Other movements	-	-	(6,312)	(6,312)
As at 31 March 2019	797,957	357,814	210,105	1,365,876
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	690,008	402,436	310,143	1,402,587
As at 1 January 2018, restated	690,008	402,436	310,143	1,402,587
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
New/additional during the year	397,906	88,051	141,417	627,374
Maturity/settlement/reduction during the year	(281,908)	(160,254)	(113,673)	(555,835)
Exchanges differences	113	(113)	-	-
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
As at 31 December 2018	797,395	362,169	212,674	1,372,238

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

Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL non credit- impaired	Lifetime ECL credit-impaired	
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	798,668	362,169	212,674	1,373,511
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	18,601	(26,757)	(1,408)	(9,564)
Transferred to Stage 2	(17,816)	55,744	(2,682)	35,246
Transferred to Stage 3	(245)	(13,327)	27,557	13,985
New/additional during the period	73,613	10,387	29,584	113,584
Maturity/settlement/reduction during the period	(73,070)	(30,367)	(24,313)	(127,750)
Exchanges differences	(531)	(35)	-	(566)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(24,995)	(24,995)
Other movements	-	-	(6,312)	(6,312)
As at 31 March 2019	799,220	357,814	210,105	1,367,139
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	690,916	402,436	310,143	1,403,495
As at 1 January 2018, restated	690,916	402,436	310,143	1,403,495
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
New/additional during the year	398,271	88,051	141,417	627,739
Maturity/settlement/reduction during the year	(281,908)	(160,254)	(113,673)	(555,835)
Exchanges differences	113	(113)	-	-
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
As at 31 December 2018	798,668	362,169	212,674	1,373,511

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EXPLANATORY NOTES**25. OPERATING REVENUE**

Operating revenue of the Group and the Bank comprise interest income, commission income, trading and investment income and other income derived from banking operations.

26. INTEREST INCOME

Group	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Interest income from loans, advances and financing	1,050,094	979,472	1,050,094	979,472
Interest income from impaired loans, advances and financing	15,091	19,612	15,091	19,612
Money at call and deposit placements with financial institutions	55,021	78,356	55,021	78,356
Financial assets at FVTPL	6,232	7,708	6,232	7,708
Debt instruments at FVOCI	139,039	92,166	139,039	92,166
Debt instruments at AC	3,072	-	3,072	-
Others	1,145	16	1,145	16
	1,269,694	1,177,330	1,269,694	1,177,330
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	4,466	5,527	4,466	5,527
- Debt instruments at FVOCI	(1,898)	(3,294)	(1,898)	(3,294)
	1,272,262	1,179,563	1,272,262	1,179,563
Bank				
Interest income from loans, advances and financing	1,051,495	980,683	1,051,495	980,683
Interest income from impaired loans, advances and financing	15,091	19,612	15,091	19,612
Money at call and deposit placements with financial institutions	55,021	78,358	55,021	78,358
Financial assets at FVTPL	6,232	7,708	6,232	7,708
Debt instruments at FVOCI	139,039	92,166	139,039	92,166
Debt instruments at AC	3,072	-	3,072	-
Others	1,145	16	1,145	16
	1,271,095	1,178,543	1,271,095	1,178,543
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	4,466	5,528	4,466	5,528
- Debt instruments at FVOCI	(1,898)	(3,295)	(1,898)	(3,295)
	1,273,663	1,180,776	1,273,663	1,180,776

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EXPLANATORY NOTES**27. INTEREST EXPENSE**

Group	First Quarter Ended		Three Months Ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	684,530	635,951	684,530	635,951
Deposits and placements of banks and other financial institutions	51,077	23,517	51,077	23,517
Subordinated bonds	18,227	16,619	18,227	16,619
Lease liabilities	215	-	215	-
Others	8,986	6,048	8,986	6,048
	763,035	682,135	763,035	682,135
Bank				
Deposits from customers	684,661	635,979	684,661	635,979
Deposits and placements of banks and other financial institutions	51,077	23,517	51,077	23,517
Subordinated bonds	18,227	16,619	18,227	16,619
Lease liabilities	660	-	660	-
Others	8,987	6,047	8,987	6,047
	763,612	682,162	763,612	682,162

28. OTHER OPERATING INCOME

Group	First Quarter Ended		Three Months Ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	55,024	78,573	55,024	78,573
Guarantee fees	18,341	25,876	18,341	25,876
Service charges and fees	49,758	49,820	49,758	49,820
Less: Fee expenses	(16,688)	(14,974)	(16,688)	(14,974)
	33,070	34,846	33,070	34,846
Commitment fees	11,545	7,004	11,545	7,004
Arrangement and participation fees	1,867	220	1,867	220
	119,847	146,519	119,847	146,519

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

Group (cont'd.)	First Quarter Ended		Three Months Ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	9,083	2,644	9,083	2,644
Unrealised gain on financial assets at FVTPL	2,420	1,206	2,420	1,206
(Loss)/gain from trading derivatives	(20,121)	27,939	(20,121)	27,939
Unrealised gain/(loss) from trading derivatives	28,904	(7,223)	28,904	(7,223)
Unrealised (loss)/gain on fair value hedge	(2,641)	813	(2,641)	813
Gain from sale of precious metal	321	630	321	630
Unrealised loss from sale of precious metal	(962)	(45)	(962)	(45)
Gain from sale/recovery of debt instruments at FVOCI	4,822	3,283	4,822	3,283
Gross dividends from:				
- Equity instruments at FVOCI	9	-	9	-
	21,835	29,247	21,835	29,247
<u>Other income</u>				
Foreign exchange gain, net	64,351	59,123	64,351	59,123
Rental income from operating leases	21	25	21	25
Gain on disposal of property, plant and equipment	-	134	-	134
Others	3,350	3,760	3,350	3,760
	67,722	63,042	67,722	63,042
	209,404	238,808	209,404	238,808

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

Bank	First Quarter		Three Months	
	Ended		Ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	55,024	78,573	55,024	78,573
Guarantee fees	18,341	25,876	18,341	25,876
Service charges and fees	49,842	49,884	49,842	49,884
Less: Fee expenses	(16,688)	(14,974)	(16,688)	(14,974)
	33,154	34,910	33,154	34,910
Commitment fees	11,545	7,004	11,545	7,004
Arrangement and participation fees	1,867	220	1,867	220
	119,931	146,583	119,931	146,583
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	9,083	2,644	9,083	2,644
Unrealised gain on financial assets at FVTPL	2,420	1,206	2,420	1,206
(Loss)/gain from trading derivatives	(20,121)	27,939	(20,121)	27,939
Unrealised gain/(loss) from trading derivatives	28,904	(7,223)	28,904	(7,223)
Unrealised (loss)/gain on fair value hedge	(2,641)	813	(2,641)	813
Gain from sale of precious metal	321	630	321	630
Unrealised loss from sale of precious metal	(962)	(45)	(962)	(45)
Gain from sale/recovery of debt instruments at FVOCI	4,822	3,283	4,822	3,283
Gross dividends from:				
- Equity instruments at FVOCI	9	-	9	-
	21,835	29,247	21,835	29,247

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

	First Quarter		Three Months	
	Ended		Ended	
Bank (cont'd.)	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
<u>Other income</u>				
Foreign exchange gain, net	64,351	59,123	64,351	59,123
Gain on disposal of property, plant and equipment	-	134	-	134
Others	3,350	3,760	3,350	3,760
	67,701	63,017	67,701	63,017
	209,467	238,847	209,467	238,847

29. OTHER OPERATING EXPENSES

	First Quarter		Three Months	
	Ended		Ended	
Group	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	197,495	182,831	197,495	182,831
Establishment related expenses	58,961	56,810	58,961	56,810
Promotion and marketing related expenses	7,391	7,581	7,391	7,581
General administrative expenses	24,209	26,326	24,209	26,326
	288,056	273,548	288,056	273,548
<u>Personnel expenses</u>				
Wages, salaries and bonus	155,001	146,680	155,001	146,680
Defined contribution plan	25,005	22,999	25,005	22,999
Other employee benefits	17,489	13,152	17,489	13,152
	197,495	182,831	197,495	182,831
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	16,037	14,613	16,037	14,613
Depreciation of right-of-use assets	3,363	-	3,363	-
Information technology costs	11,483	15,716	11,483	15,716
Repair and maintenance	16,461	11,684	16,461	11,684
Short term lease expenses	723	-	723	-
Rental of premises	-	4,218	-	4,218
Others	10,894	10,579	10,894	10,579
	58,961	56,810	58,961	56,810

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

Group (cont'd.)	First Quarter Ended		Three Months Ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	7,391	7,581	7,391	7,581
<u>General administrative expenses</u>				
Fees and commissions paid	7,260	5,623	7,260	5,623
Others	16,949	20,703	16,949	20,703
	24,209	26,326	24,209	26,326
Bank				
Personnel expenses	196,157	181,746	196,157	181,746
Establishment related expenses	61,492	59,951	61,492	59,951
Promotion and marketing related expenses	7,319	7,572	7,319	7,572
General administrative expenses	24,141	26,192	24,141	26,192
	289,109	275,461	289,109	275,461
<u>Personnel expenses</u>				
Wages, salaries and bonus	153,893	145,776	153,893	145,776
Defined contribution plan	24,850	22,869	24,850	22,869
Other employee benefits	17,414	13,101	17,414	13,101
	196,157	181,746	196,157	181,746
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	13,184	12,361	13,184	12,361
Depreciation of right-of-use assets	8,377	-	8,377	-
Information technology costs	11,483	15,716	11,483	15,716
Repair and maintenance	16,289	11,473	16,289	11,473
Short term lease expenses	723	-	723	-
Rental of premises	-	8,940	-	8,940
Others	11,436	11,461	11,436	11,461
	61,492	59,951	61,492	59,951
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	7,319	7,572	7,319	7,572
<u>General administrative expenses</u>				
Fees and commissions paid	7,208	5,493	7,208	5,493
Others	16,933	20,699	16,933	20,699
	24,141	26,192	24,141	26,192

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

Group	First Quarter Ended		Three Months Ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
a Loans, advances and financing				
- Stage 1 ECL	562	5,796	562	5,796
- Stage 2 ECL	(4,355)	1,660	(4,355)	1,660
- Stage 3 ECL	28,738	21,016	28,738	21,016
	24,945	28,472	24,945	28,472
Credit-impaired loans, advances and financing				
- written off	7,708	9,880	7,708	9,880
- recovered	(14,146)	(13,712)	(14,146)	(13,712)
	18,507	24,640	18,507	24,640
b Other financial assets				
Placement with banks and other financial institutions, and other assets	(6,115)	(15,069)	(6,115)	(15,069)
Debt instruments measured at FVOCI	10,249	19,843	10,249	19,843
Debt instruments measured at AC	4,289	-	4,289	-
	8,423	4,774	8,423	4,774
c Commitments and contingencies				
- Stage 1 ECL	(26,164)	5,946	(26,164)	5,946
- Stage 2 ECL	(6,563)	3,870	(6,563)	3,870
- Stage 3 ECL	(2,345)	232	(2,345)	232
	(35,072)	10,048	(35,072)	10,048
Bank				
a Loans, advances and financing				
- Stage 1 ECL	552	6,024	552	6,024
- Stage 2 ECL	(4,355)	1,660	(4,355)	1,660
- Stage 3 ECL	28,738	21,016	28,738	21,016
	24,935	28,700	24,935	28,700
Credit-impaired loans, advances and financing				
- written off	7,708	9,880	7,708	9,880
- recovered	(14,146)	(13,712)	(14,146)	(13,712)
	18,497	24,868	18,497	24,868
b Other financial assets				
Placement with banks and other financial institutions, and other assets	(6,115)	(15,069)	(6,115)	(15,069)
Debt instruments measured at FVOCI	10,249	19,843	10,249	19,843
Debt instruments measured at AC	4,289	-	4,289	-
	8,423	4,774	8,423	4,774
c Commitments and contingencies				
- Stage 1 ECL	(26,163)	5,946	(26,163)	5,946
- Stage 2 ECL	(6,564)	3,870	(6,564)	3,870
- Stage 3 ECL	(2,345)	232	(2,345)	232
	(35,072)	10,048	(35,072)	10,048

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EXPLANATORY NOTES

31. SEGMENT INFORMATION

Operating Segments

The following segment information has been prepared in accordance with MFRS 8 *Operating Segments*, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and assess its performance. The Group's businesses are organised into the following four segments based on the types of products and services that it provides:

Retail

The Retail segment covers Personal Financial Services, Business and Private Banking. Personal Financial Services serves the individual customers, offers a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Banking caters to high net worth individuals and accredited investors, offers a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides financial advisory on an extended range of financial services, including wealth management products. Business Banking serves small enterprises, offers a range of products and services, including deposits, loans, trade, foreign exchange and insurance products.

Wholesale Banking ("WB")

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group ("FIG"), Multinational Corporates (MNC), Investment Banking and Transaction Banking. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies. FIG serves financial institutions as well as non-bank financial institutions. Commercial Banking, Corporate Banking, MNC and FIG provide customers with a broad range of products and services that include current accounts, deposits, lending, trade finance, structured finance, cash management and cross-border payments. Investment Banking provides services that include principal advisor, lead manager and facility agent for the arrangement of both syndicated loans and Private Debt Securities. Transaction Banking provides trade finance and cash management services.

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Global Markets ("GM")

The GM segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, commodities, gold products, as well as an array of structured products. It is a player in Malaysian Ringgit treasury instruments in the region. It also engages in proprietary investment activities and management of excess liquidity and capital funds.

Others

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

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31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 31 March 2019							
Operating income	340,773	274,021	60,799	57,976	733,569	(6,119)	727,450
Other operating expenses	(183,782)	(63,594)	(14,561)	(32,357)	(294,294)	6,238	(288,056)
Allowance for expected credit losses	6,483	1,982	(312)	(2)	8,151	(9)	8,142
Share of net profit of an associate	-	-	-	58	58	-	58
Profit before taxation	<u>163,474</u>	<u>212,409</u>	<u>45,926</u>	<u>25,675</u>	<u>447,484</u>	<u>110</u>	<u>447,594</u>
Income tax expense							<u>(109,025)</u>
							<u><u>338,569</u></u>

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Other information							
For period ended 31 March 2019							
Inter-segment operating income	78,735	56,811	(199,537)	70,110	6,119	(6,119)	-
Total depreciation	4,880	1,731	839	16,942	24,392	(4,992)	19,400
As at 31 March 2019							
Gross loans, advances and financing	53,273,477	29,113,541	-	362,888	82,749,906	(119,172)	82,630,734
Deposits from customers	60,138,399	28,670,403	183,844	10,627	89,003,273	(25,223)	88,978,050

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 31 March 2018							
Operating income	347,439	275,658	50,722	77,523	751,342	(6,249)	745,093
Other operating expenses	(174,647)	(58,014)	(13,678)	(33,437)	(279,776)	6,228	(273,548)
Allowance for expected credit losses	(34,087)	(5,601)	-	4	(39,684)	222	(39,462)
Share of net profit of an associate	-	-	-	54	54	-	54
Profit before taxation	<u>138,705</u>	<u>212,043</u>	<u>37,044</u>	<u>44,144</u>	<u>431,936</u>	<u>201</u>	<u>432,137</u>
Income tax expense							<u>(107,065)</u>
							<u>325,072</u>

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

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

For period ended 31 March 2018

Inter-segment operating income	41,331	63,063	(190,873)	92,728	6,249	(6,249)	-
Total depreciation	2,229	767	482	11,114	14,592	21	14,613

As at 31 December 2018

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

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

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

	Group		Bank	
	31-Mar-19 RM'000	31-Dec-18 RM'000	31-Mar-19 RM'000	31-Dec-18 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	9,035,171	9,035,171	9,111,054	9,111,054
Other reserves	336,500	282,731	139,579	85,810
Regulatory adjustments applied in the calculation of CET1 Capital	(321,246)	(349,705)	(336,547)	(365,064)
Total CET1/Tier 1 Capital	<u>9,842,980</u>	<u>9,760,752</u>	<u>9,706,641</u>	<u>9,624,355</u>
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,600,000	1,600,000	1,600,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	271,202	304,310	291,078	305,066
- General provisions	24,776	26,553	14,699	16,505
Regulatory adjustments applied in the calculation of Tier 2 Capital	85,437	85,437	-	-
Total Tier 2 Capital	<u>1,981,415</u>	<u>2,016,300</u>	<u>1,905,777</u>	<u>1,921,571</u>
Total Capital	<u>11,824,395</u>	<u>11,777,052</u>	<u>11,612,418</u>	<u>11,545,926</u>

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EXPLANATORY NOTES

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

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

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
CET1/Tier 1 Capital	16.369%	16.200%	16.324%	16.151%
Total Capital	19.664%	19.547%	19.528%	19.376%
CET1/Tier 1 Capital*	15.546%	15.379%	15.491%	15.321%
Total Capital*	18.841%	18.725%	18.696%	18.546%

* net of proposed dividends

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

	Group		Bank	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	52,320,888	52,842,515	51,637,111	52,164,645
Total RWA for market risk	2,357,823	1,975,548	2,357,822	1,975,548
Total RWA for operational risk	5,454,713	5,433,208	5,469,029	5,448,326
	60,133,424	60,251,271	59,463,962	59,588,519

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EXPLANATORY NOTES**33. COMMITMENTS AND CONTINGENCIES**

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

		Group	
	Principal	Credit	Risk
	amount	equivalent	weighted
As at 31 March 2019	RM'000	amount	amount
		RM'000	RM'000
Direct credit substitutes	2,876,845	2,811,422	2,145,959
Transaction-related contingent items	6,180,640	3,093,984	2,456,780
Short-term self-liquidating trade-related contingencies	465,229	97,786	56,370
Foreign exchange related contracts			
- not more than one year	21,870,325	363,455	122,257
- more than one year to less than five years	759,602	54,039	26,563
Interest rate related contracts			
- not more than one year	5,492,892	50,066	29,404
- more than one year to less than five years	16,165,789	745,732	456,678
- five years and above	873,963	128,431	97,568
Equity related contracts			
- not more than one year	416,137	21,160	19,795
- more than one year to less than five years	398,097	16,380	2,439
Commodity related contracts			
- not more than one year	1,009,803	86,691	16,039
- more than one year to less than five years	203,666	20,032	3,386
Undrawn credit facility			
- not more than one year	16,732,357	803,309	165,454
- more than one year	8,418,330	5,968,601	4,502,211
- unconditionally cancellable	14,741,013	5,955,995	662,580
Other commitments	892,380	486,511	376,429
Total	97,497,068	20,703,594	11,139,912

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

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

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

As at 31 March 2019	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,876,845	2,811,422	2,145,959
Transaction-related contingent items	6,180,640	3,093,984	2,456,780
Short-term self-liquidating trade-related contingencies	465,229	97,786	56,370
Foreign exchange related contracts			
- not more than one year	21,870,325	363,455	122,257
- more than one year to less than five years	759,602	54,039	26,563
Interest rate related contracts			
- not more than one year	5,492,892	50,066	29,404
- more than one year to less than five years	16,165,789	745,732	456,678
- five years and above	873,963	128,431	97,568
Equity related contracts			
- not more than one year	416,137	21,160	19,795
- more than one year to less than five years	398,097	16,380	2,439
Commodity related contracts			
- not more than one year	1,009,803	86,691	16,039
- more than one year to less than five years	203,666	20,032	3,386
Undrawn credit facility			
- not more than one year	16,732,357	803,309	165,454
- more than one year	8,418,330	5,968,601	4,502,211
- unconditionally cancellable	14,741,013	5,955,995	662,580
Other commitments	525,623	119,594	9,512
Total	97,130,311	20,336,677	10,772,995

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

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

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

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EXPLANATORY NOTES

34. PERFORMANCE REVIEW

For the three months ended 31 March 2019, the Group recorded a profit before taxation of RM447.6 million, an increase of 3.6% or RM15.5 million compared to same period last year. The increase in profit was mainly from lower allowance for expected credit losses, partially offset by lower operating income and higher other operating expenses.

Total operating income decreased by 2.4% or RM17.6 million to RM727.5 million mainly from lower other operating income, partially offset by higher net interest income. Other operating income dropped 12.3% or RM29.4 million to RM209.4 million mainly due to lower fee income, trading and investment income, partly offset by higher foreign exchange gain.

Expenses increased by 5.3% or RM14.5 million to RM288.1 million driven by higher staff expenses and establishment related expenses.

Total allowance for expected credit losses decreased by RM47.6 million mainly due to write-back of expected credit loss on commitments and contingencies.

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EXPLANATORY NOTES

35. PROSPECTS FOR 2019

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

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

Amid the moderate economic growth, we will stay disciplined in pursuing sustainable business growth while continue to develop and to strengthen our capabilities for the future.

The Group is expected to achieve satisfactory set of result in 2019

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36. ISLAMIC BANKING OPERATIONS**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	31-Mar-19 RM'000	31-Dec-18 RM'000
Assets			
Cash and short-term funds	a	2,157,963	2,709,957
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	29,999	179,662
Financing, advances and others	c	3,162,198	2,702,218
Other assets	d	23,837	2,656
Derivative financial assets		455	50
Statutory deposits with Bank Negara Malaysia		70,000	58,500
Plant and equipment		5,077	54
Deferred tax assets		3,802	4,140
Total assets		5,453,331	5,657,237
Liabilities and Islamic Banking funds			
Deposits from customers	f	4,388,821	4,635,848
Investment accounts due to designated financial institution	g	99,933	99,946
Deposits and placements of banks and other financial institutions	h	429,160	419,903
Bills and acceptances payable		275	318
Derivative financial liabilities		367	467
Other liabilities	i	70,643	52,491
Tax Payable		6,305	2,748
Total liabilities		4,995,504	5,211,721
Capital fund		450,000	450,000
Reserves		7,827	(4,484)
Islamic Banking funds	j	457,827	445,516
Total liabilities and Islamic Banking funds		5,453,331	5,657,237
Commitments and contingencies	r	2,165,414	1,373,030

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019**

	Note	First quarter ended		Three months ended	
		31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Income derived from depositors' funds	k	36,901	8,571	36,901	8,571
Income derived from investment of Islamic Banking funds	l	24,188	10,368	24,188	10,368
Income derived from investment of Investment Account funds	m	1,052	-	1,052	-
Allowance for expected credit loss/impairment on:		-	-		
Financing, advances and others	p	15,853	(2,579)	15,853	(2,579)
Other financial assets	p	246	(148)	246	(148)
Commitment and contingencies	p	425	75	425	75
Total attributable income		78,665	16,287	78,665	16,287
Income attributable to depositors	n	(52,481)	(10,082)	(52,481)	(10,082)
Income attributable to Investment Account holder	o	(841)	-	(841)	-
Total net income		25,343	6,205	25,343	6,205
Other operating expenses	q	(9,142)	(4,954)	(9,142)	(4,954)
Profit before taxation		16,201	1,251	16,201	1,251
Income tax income		(3,893)	(220)	(3,893)	(220)
Profit after taxation		12,308	1,031	12,308	1,031
Other comprehensive income:					
<u>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</u>					
Net fair value change in debt instruments at fair value through other comprehensive income		4	(26)	4	(26)
Income tax effect		(1)	6	(1)	6
Total other comprehensive income for the period, net of tax		3	(20)	3	(20)
Total comprehensive income for the period		12,311	1,011	12,311	1,011

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 31 MARCH 2019

	Capital fund RM'000	Fair value through other comprehensive RM'000	Accumulated profit/ (losses) RM'000	Total RM'000
2019				
At 1 January 2019	450,000	(6)	(4,478)	445,516
Profit for the period	-	-	12,308	12,308
Other comprehensive income	-	3	-	3
Total comprehensive income	-	3	12,308	12,311
At 31 March 2019	450,000	(3)	7,830	457,827

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019**

	31-Mar-19	31-Mar-18
	RM'000	RM'000
Profit before taxation	16,201	1,251
Adjustments for non-operating and non-cash items	(1,064)	2,404
Operating profit before working capital changes	15,137	3,655
Changes in working capital:		
Net changes in operating assets	(492,641)	(392,624)
Net changes in operating liabilities	(219,774)	1,256,000
Net cash generated/(used in) from operating activities	(697,278)	867,031
Net cash generated from investing activities	145,284	367
Net cash generated from financing activities	-	-
Net (decrease)/ increase in cash and cash equivalents	(551,994)	867,398
Cash and cash equivalents at beginning of the period	2,709,957	179,447
Cash and cash equivalents at end of the period	2,157,963	1,046,845
Analysis of cash and cash equivalents		
Cash and short term funds	2,157,963	1,046,845

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018.

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

a. Cash and short-term funds

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Cash and balances with banks and other financial institutions	47,029	150,053
Money at call and deposit placements maturing within one month	2,112,000	2,561,000
Less: Allowances for ECL	(1,066)	(1,096)
	<u>2,157,963</u>	<u>2,709,957</u>

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Government Islamic investment	30,005	30,012
Malaysia Government treasury bills	-	149,869
Less: Allowances for ECL	(6)	(219)
	<u>29,999</u>	<u>179,662</u>

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

c. Financing, advances and others

(i) Financing by type of Shariah contract:	31-Mar-19	31-Dec-18
	RM'000	RM'000
<u>Tawarruq</u>		
Term financing and revolving credits		
- Housing financing	1,852,316	1,324,968
- Others term financing	1,271,196	1,359,194
Trust receipt	846	-
Claim on customers under acceptance credits	52,667	48,844
Gross financing, advances and others	3,177,025	2,733,006
Allowance for ECL on financing, advances and others		
Stage 1 - 12 month ECL	(7,611)	(13,706)
Stage 2 - Lifetime ECL non credit-impaired	(4,925)	(15,449)
Stage 3 - Lifetime ECL credit impaired	(2,291)	(1,633)
Net financing, advances and others	3,162,198	2,702,218

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

As at 31 March 19, the gross exposure and expected credit loss relating to RSIA financing amounted to RM75,000,000 and RM67,355 respectively.

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Maturing within one year	361,837	323,581
One year to three years	85,309	85,954
Three years to five years	130,957	103,904
Over five years	2,598,922	2,219,567
	3,177,025	2,733,006

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

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

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprises	703,923	560,316
- Others	739,377	691,434
Individuals	1,634,067	1,386,740
Foreign entities	99,658	94,516
	<u>3,177,025</u>	<u>2,733,006</u>

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Fixed rate		
- Other fixed rate financing	52,667	48,847
Variable rates:		
- Base rate/base financing rate-plus	2,318,695	1,986,861
- Cost-plus	805,663	697,298
	<u>3,177,025</u>	<u>2,733,006</u>

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36. ISLAMIC BANKING OPERATIONS (cont'd.)**EXPLANATORY NOTES****c. Financing, advances and others (cont'd.)****(v) Gross financing, advances and others by economic sectors:**

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Agriculture	152,827	125,525
Manufacturing	239,999	206,940
Electricity, gas and water	63,514	63,294
Construction	227,314	198,404
Wholesale, retail trade, restaurants and hotels	442,384	383,295
Transport, storage and communication	32,599	31,454
Finance, insurance and business services	117,224	98,464
Real estate	158,474	138,790
Community, social and personal services	8,968	5,579
Households		
- purchase of residential properties	1,569,818	1,331,417
- purchase of non residential properties	92,199	99,973
- others	71,705	49,871
	<u>3,177,025</u>	<u>2,733,006</u>

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
As at 1 January	12,704	703
Classified as impaired during the period	4,129	12,862
Amount recovered	(30)	(6)
Reclassified as non credit impaired	(14)	(855)
As at 31 March/ 31 December	<u>16,789</u>	<u>12,704</u>
Allowance for ECL on credit impaired	<u>(2,291)</u>	<u>(1,633)</u>
Net impaired financing, advances and others	<u>14,498</u>	<u>11,071</u>

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

<u>0.5%</u>	<u>0.4%</u>
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36. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

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

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Wholesale, retail trade, restaurants and hotels	2,119	2,119
Households:		
- purchase of residential properties	14,670	10,585
	<u>16,789</u>	<u>12,704</u>

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
In Malaysia	<u>16,789</u>	<u>12,704</u>

d. Other assets

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Other receivables, deposits and prepayments	20,483	462
Profit receivables	3,354	2,197
Less: Allowances for ECL	-	(3)
	<u>23,837</u>	<u>2,656</u>

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

e. Movements in loss allowance for expected credit loss

(a) Other financial assets:

Cash and Short term funds and Debt instruments at FVOCI

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2019	1,317	1	-	1,318
<u>Movements with P&L impact:</u>				
New/additional during the period	1,652	-	-	1,652
Maturity/settlement/reduction during the period	(1,897)	(1)	-	(1,898)
As at 31 March 2019	<u>1,072</u>	<u>-</u>	<u>-</u>	<u>1,072</u>

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

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

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

(b) Contingent Liabilities and Commitments

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2019	1,997	205	-	2,202
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	-	-	-	-
Transferred to Stage 2	(3)	33	-	30
New/additional during the period	2,859	40	-	2,899
Maturity/settlement/reduction during the period	(3,196)	(158)	-	(3,354)
As at 31 March 2019	1,657	120	-	1,777

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

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

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

(c) Financing, advances and others

	12 months ECL	Lifetime (not credit impaired) ECL	Lifetime (credit impaired) ECL	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	13,706	15,449	1,633	30,788
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	35	(1,565)	-	(1,530)
Transferred to Stage 2	(141)	1,148	(16)	991
Transferred to Stage 3	-	(107)	1,081	974
New/additional during the period	12,780	82	-	12,862
Maturity/settlement/reduction during the period	(18,769)	(10,082)	(286)	(29,137)
Exchange differences	-	-	-	-
	(6,095)	(10,524)	779	(15,840)
Other movements	-	-	(121)	(121)
As at 31 March 2019	7,611	4,925	2,291	14,827

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

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

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

f. Deposits from customers

(i) By type of deposits:

	31-Mar-19	31-Dec-18
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	131,214	106,229
Savings deposits		
- Qard	13,139	11,860
Fixed deposits		
- Tawarruq	4,209,466	4,500,309
Other deposits		
- Tawarruq	35,002	17,450
	<u>4,388,821</u>	<u>4,635,848</u>

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Due within six months	2,021,428	2,353,657
Six months to one year	1,936,204	1,984,818
Three years to five years	251,834	161,834
	<u>4,209,466</u>	<u>4,500,309</u>

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Business enterprises	952,574	997,912
Individuals	1,113,749	1,043,184
Others	2,322,498	2,594,752
	<u>4,388,821</u>	<u>4,635,848</u>

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**36. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES****g. Investment accounts due to designated financial institutions**

	31-Mar-19	31-Dec-18
	RM'000	RM'000
<u>Mudharabah RSIA</u>		
Licensed bank	100,000	100,000
Amount receivable from Conventional Bank	(67)	(54)
	<u>99,933</u>	<u>99,946</u>

h. Deposits and placements of banks and other financial institutions

	31-Mar-19	31-Dec-18
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	<u>429,160</u>	<u>419,903</u>

i. Other liabilities

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Allowance for ECL for commitment and contingencies	1,777	2,202
Accrued profit payable	68,260	47,410
Accruals and provisions for operational expenses	606	2,879
	<u>70,643</u>	<u>52,491</u>

j. Islamic Banking funds

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Capital fund	450,000	450,000
Fair value through other comprehensive income reserve	(3)	(6)
Retained profits/ (Accumulated losses)	7,830	(4,478)
	<u>457,827</u>	<u>445,516</u>

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

k. Income derived from depositors' funds

	First quarter ended		Three months ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	21,331	5,505	21,331	5,505
Money at call and deposit placements with financial institutions	15,570	3,066	15,570	3,066
	36,901	8,571	36,901	8,571

l. Income derived from investment of Islamic Banking funds

	First quarter ended		Three months ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	14,070	6,828	14,070	6,828
Money at call and deposit placements with financial institutions	7,390	1,160	7,390	1,160
FVOCI securities	384	226	384	226
	21,844	8,214	21,844	8,214
<u>Other operating income</u>				
Trading income	315	101	315	101
Commision income	1,117	1,266	1,117	1,266
Fee income	905	785	905	785
Others	7	2	7	2
	24,188	10,368	24,188	10,368

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36. ISLAMIC BANKING OPERATIONS (cont'd.)**EXPLANATORY NOTES****m. Income derived from investment of Investment Account funds**

	First quarter ended		Three months ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Financing, advances and others	853	-	853	-
Money at call and deposit placements with financial institutions	199	-	199	-
	<u>1,052</u>	<u>-</u>	<u>1,052</u>	<u>-</u>

n. Income attributable to depositors

	First quarter ended		Three months ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Income attributable to depositors from non-mudharabah fund	52,481	10,082	52,481	10,082

o. Income attributable to investment account holders

	First quarter ended		Three months ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Income attributable to depositors from mudharabah fund	841	-	841	-

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

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

	First quarter ended		Three months period	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Allowance for impairment on financing, advances and others				
Stage 1 ECL	(6,095)	3,898	(6,095)	3,898
Stage 2 ECL	(10,524)	(1,496)	(10,524)	(1,496)
Stage 3 ECL	779	177	779	177
Recovery from RSIA holder*	(13)	-	(13)	-
	(15,853)	2,579	(15,853)	2,579
*The RSIA holder is the Conventional Banking				
Other financial assets				
Stage 1 ECL	(245)	11	(245)	11
Stage 2 ECL	(1)	137	(1)	137
	(246)	148	(246)	148
Commitment and contingencies				
Stage 1 ECL	(340)	(66)	(340)	(66)
Stage 2 ECL	(85)	(9)	(85)	(9)
	(425)	(75)	(425)	(75)
Total	(16,524)	2,652	(16,524)	2,652

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

q. Other operating expenses

	First quarter ended		Three months ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000	31-Mar-19 RM'000	31-Mar-18 RM'000
Personnel expenses	658	469	658	469
Establishment related expenses	247	95	247	95
Promotion and marketing related expenses	45	10	45	10
General administrative expenses	8,192	4,380	8,192	4,380
	9,142	4,954	9,142	4,954
Personnel expenses				
- Wages, salaries and bonus	413	369	413	369
- Defined contribution plan	66	94	66	94
- Other employee benefits	179	6	179	6
	658	469	658	469
Establishment related expenses				
- Depreciation of property, plant and equipment	60	4	60	4
- Repair and maintenance	1	2	1	2
- Rental of premises	-	3	-	3
- Information technology costs	83	-	83	-
- Others	103	86	103	86
	247	95	247	95
Promotion and marketing related expenses				
- Advertisement and publicity	45	10	45	10
General administrative expenses				
- Fees and commissions paid	99	78	99	78
- Management fee	8,031	4,241	8,031	4,241
- Others	62	61	62	61
	8,192	4,380	8,192	4,380

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

r. Commitments and contingencies

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 March 2019			
Direct credit substitutes	9,766	9,766	5,797
Transaction-related contingent items	32,649	16,324	15,287
Short-term self-liquidating trade-related contingencies	1,006	201	71
Foreign exchange related contracts			
- less than one year	102,203	1,531	306
Undrawn credit facility			
- less than one year	876,796	1,171	426
- more than one year	1,009,419	558,102	99,427
- unconditionally cancellable	133,575	-	-
Total	2,165,414	587,095	121,314
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2018			
Direct credit substitutes	11,092	11,092	5,833
Transaction-related contingent items	31,974	15,987	14,260
Short-term self-liquidating trade-related contingencies	1,717	343	71
Foreign exchange related contracts			
- less than one year	113,442	1,745	422
Undrawn credit facility			
- less than one year	162,598	280	126
- more than one year	1,052,207	582,650	114,732
- unconditionally cancellable			
Total	1,373,030	612,097	135,444

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

r. Capital management and capital adequacy

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Accumulated losses	(4,478)	(4,478)
Other reserves	(3)	(6)
Regulatory adjustments applied in the calculation of CET1 Capital	(6,360)	(4,156)
Total CET1/Tier 1 Capital	439,159	441,360
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	-	8,136
- Collective impairment provisions and regulatory reserves	54	247
Total Tier 2 Capital	54	8,383
Total Capital	439,213	449,743

(a) The capital adequacy ratios are as follows:

	31-Mar-19	31-Dec-18
Before the effects of PSIA		
CET1/Tier 1 Capital	26.497%	30.386%
Total Capital	26.501%	30.977%
After the effects of PSIA		
CET1/Tier 1 Capital	27.041%	31.099%
Total Capital	27.044%	31.689%

In accordance with BNM's Guidelines on the Recognition of Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit risk and market risks of the assets funded by the RSIA which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 31 March 2019, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM33,300,750 (31 December 2018: RM33,283,000).

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

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

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Total RWA for credit risk	1,570,112	1,375,717
Total RWA for market risk	5,102	159
Total RWA for operational risk	48,860	43,348
	<u>1,624,074</u>	<u>1,419,224</u>