

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2008**

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 BALANCE SHEETS AS AT 30 JUNE 2008**

	Notes	Group		Bank	
		30-Jun-08 RM'000	31-Dec-07 RM'000	30-Jun-08 RM'000	31-Dec-07 RM'000
<b>ASSETS</b>					
Cash and short-term funds		7,628,677	1,141,316	7,628,677	1,141,316
Securities purchased under resale agreements		1,351,816	2,430,909	1,351,816	2,430,909
Deposits and placements with financial institutions		691,759	726,277	691,759	726,277
Held-For-Trading Securities	10	44,386	577,497	44,386	577,497
Available-For-Sale Securities	10	4,120,921	4,375,018	4,120,921	4,375,018
Loans and advances	11	26,588,627	25,004,640	26,588,627	25,004,640
Other assets	12	704,057	419,897	704,594	420,403
Statutory deposits With Bank Negara Malaysia		790,000	817,000	790,000	817,000
Investment in subsidiaries		-	-	51	51
Investment in associates		164,117	161,372	122,733	122,733
Investment Property		8,910	9,000	8,910	9,000
Property, plant and equipment		240,298	242,500	239,950	242,119
Prepaid land lease payments		41,920	41,387	41,920	41,387
Deferred tax assets		69,728	69,728	69,728	69,728
<b>Total assets</b>		<b>42,445,216</b>	<b>36,016,541</b>	<b>42,404,072</b>	<b>35,978,078</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
Deposits from customers	13	25,678,671	24,433,395	25,678,671	24,433,395
Deposits and placements of banks and other financial institutions	14	9,091,868	4,716,958	9,092,275	4,717,367
Bills and acceptances payable		3,906,190	3,027,681	3,906,190	3,027,681
Amount due to Cagamas		252,003	316,115	252,003	316,115
Other liabilities	15	681,218	715,400	681,196	715,326
Taxation		70,869	62,822	70,869	62,822
<b>Total liabilities</b>		<b>39,680,819</b>	<b>33,272,371</b>	<b>39,681,204</b>	<b>33,272,706</b>
<b>Financed by :</b>					
Share Capital		470,000	470,000	470,000	470,000
Reserves		2,294,397	2,274,170	2,252,868	2,235,372
<b>SHAREHOLDERS' EQUITY</b>		<b>2,764,397</b>	<b>2,744,170</b>	<b>2,722,868</b>	<b>2,705,372</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>42,445,216</b>	<b>36,016,541</b>	<b>42,404,072</b>	<b>35,978,078</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	22	<b>52,339,349</b>	<b>52,243,292</b>	<b>52,339,349</b>	<b>52,243,292</b>

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED INCOME STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2008**

	Notes	Group		Bank	
		30-Jun-08 RM'000	30-Jun-07 RM'000	30-Jun-08 RM'000	30-Jun-07 RM'000
Operating revenue		<b>1,117,774</b>	1,096,663	<b>1,117,774</b>	1,114,129
Interest income	16	<b>963,749</b>	899,266	<b>963,749</b>	899,262
Interest expenses	17	<b>(492,239)</b>	(465,909)	<b>(492,239)</b>	(465,909)
Net interest income		<b>471,510</b>	433,357	<b>471,510</b>	433,353
Other operating income	18	<b>160,126</b>	202,672	<b>160,126</b>	220,139
Operating income		<b>631,636</b>	636,029	<b>631,636</b>	653,492
Other operating expenses	19	<b>(240,387)</b>	(210,413)	<b>(240,387)</b>	(209,676)
Profit before allowance		<b>391,249</b>	425,616	<b>391,249</b>	443,816
Allowance for losses on loans and financing Provision(made)/written-back for commitments and contingencies	20	<b>(106,591)</b>	(122,612)	<b>(106,591)</b>	(122,612)
		<b>5</b>	34	<b>5</b>	34
Profit before taxation		<b>284,663</b>	303,038	<b>284,663</b>	321,238
Share of profit of associates (net of tax)		<b>2,744</b>	10,076	-	-
Profit Before taxation		<b>287,407</b>	313,114	<b>284,663</b>	321,238
Taxation					
- Bank and subsidiary companies		<b>(69,435)</b>	(93,836)	<b>(69,422)</b>	(96,643)
Profit after taxation		<b>217,97</b>	219,278	<b>215,241</b>	224,595
Basic earnings per share (sen)		<b>46.4</b>	46.7		

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST HALF YEAR ENDED 30 JUNE 2008**

<b>GROUP</b>	← Non-distributable →					Distributable	
	Share Capital	Share Premium	Statutory Reserves	Revaluation Reserves	Revaluation Reserves-AFS	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2008	470,000	322,555	470,000	59,831	(3,247)	1,425,031	2,744,170
Net profit for the year	-	-	-	-	-	217,972	217,972
Net unrealised loss on AFS securities	-	-	-	-	(23,845)	-	(23,845)
Dividends paid :							
- final dividend for year ended 31 December 2007	-	-	-	-	-	(173,900)	(173,900)
Balance as at 30 June 2008	470,000	322,555	470,000	59,831	(27,092)	1,469,103	2,764,397

**2007**

Balance as at 1 January 2007	470,000	322,555	470,000	37,504	(37)	1,110,423	2,410,445
Net profit for the year	-	-	-	-	-	483,214	483,214
Revaluation of properties	-	-	-	28,317	-	-	28,317
Impairment losses	-	-	-	(637)	-	-	(637)
Share of revaluation reserve from Associates Companies	-	-	-	160	-	-	160
Net unrealised loss on AFS securities	-	-	-	-	(4,280)	-	(4,280)
Realisation of revaluation reserve upon disposal of land and buildings	-	-	-	(2,944)	-	2,944	-
Transfer from/(to) deferred taxation	-	-	-	(2,569)	1,070	-	(1,499)
Dividends paid :							
- final dividend for year ended 31 December 2006	-	-	-	-	-	(171,550)	(171,550)
Balance as at 31 December 2007	470,000	322,555	470,000	59,831	(3,247)	1,425,031	2,744,170

**BANK**

<b>BANK</b>	← Non-distributable →					Distributable	
	Share Capital	Share Premium	Statutory Reserves	Revaluation Reserves	Revaluation Reserves-AFS	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2008	470,000	322,555	470,000	74,723	(3,247)	1,371,341	2,705,372
Net profit for the year	-	-	-	-	-	215,241	215,241
Net unrealised loss on AFS securities	-	-	-	-	(23,845)	-	(23,845)
Dividends paid :							
- final dividend for year ended 31 Dec 2007	-	-	-	-	-	(173,900)	(173,900)
Balance as at 30 June 2008	470,000	322,555	470,000	74,723	(27,092)	1,412,682	2,722,868

**2007**

Balance as at 1 January 2007	470,000	322,555	470,000	52,556	(37)	1,057,157	2,372,231
Net profit for the year	-	-	-	-	-	482,790	482,790
Revaluation of properties	-	-	-	28,317	-	-	28,317
Impairment losses	-	-	-	(637)	-	-	(637)
Net unrealised loss on AFS securities	-	-	-	-	(4,280)	-	(4,280)
Realisation of revaluation reserve upon disposal of land and buildings	-	-	-	(2,944)	-	2,944	-
Transfer from/(to) deferred taxation	-	-	-	(2,569)	1,070	-	(1,499)
Dividends paid :							
- final dividend for year ended 31 Dec 2006	-	-	-	-	-	(171,550)	(171,550)
Balance as at 31 December 2007	470,000	322,555	470,000	74,723	(3,247)	1,371,341	2,705,372

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED CASH FLOW STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2008**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun-08</b> <b>RM'000</b>	30-Jun-07 RM'000	<b>30-Jun-08</b> <b>RM'000</b>	30-Jun-07 RM'000
<b>Cash Flows From Operating Activities</b>				
Profit before taxation	287,407	313,115	284,663	321,238
Adjustment for non-cash items	57,580	39,475	60,293	31,670
Operating profit before changes in working capital	344,987	352,590	344,956	352,908
Changes in working capital :				
Net changes in operating assets	(381,501)	(2,741,454)	(381,520)	(2,757,158)
Net changes in operating liabilities	6,416,845	5,345,843	6,416,895	5,346,168
Income tax paid	(61,368)	(64,700)	(61,368)	(64,700)
Net cash generated (used in)/from operating activities	6,318,963	2,892,279	6,318,963	2,877,218
Net cash generated from investing activities	307,780	(1,291,561)	307,780	(1,276,500)
Net cash generated (used in)/from financing activities	(173,900)	(171,550)	(173,900)	(171,550)
Net changes in cash and cash equivalents	6,452,843	1,429,168	6,452,843	1,429,168
Cash and cash equivalents at beginning of the period	1,867,593	2,801,375	1,867,593	2,801,375
Cash and cash equivalents at end of the period	8,320,436	4,230,543	8,320,436	4,230,543

Company No. 271809K

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2008**

**1. Basis of Preparation**

The unaudited condensed interim financial statements for the financial half year ended 30 June 2008 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the revised GP8 guidelines issued by Bank Negara Malaysia.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. The explanatory notes attached in the unaudited condensed interim financial statements provide and explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2007.

**2. Audit Report**

The audit report on the audited annual financial statements for the financial year ended 31 December 2007 was not subject to any qualification.

**3. Unusual Items due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank during the financial half year ended 30 June 2008.

**4. Comments about Seasonal or Cyclical Factors**

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

**5. Changes in Estimates**

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial half year ended 30 June 2008.

**6. Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities during the financial half year ended 30 June 2008.

Company No. 271809K

**UNITED OVERSEAS BANK (MALAYSIA) BHD**

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2008**

**7. Valuation of Property, Plant and Equipment**

Property, plant and equipment are stated at cost / valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and directors' valuation. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial half year ended 30 June 2008.

**8. Significant Events Subsequent to the Balance Sheet Date**

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

**9. Changes in the Composition of the Group**

There were no changes in the composition of the Group for the financial half year ended 30 June 2008.

**10. SECURITIES PORTFOLIO****(i) Held-for-Trading****Group and Bank**

Jun-08	Dec-07
RM'000	RM'000

**Money market instruments :-**

Malaysian Government securities	-	164,251
Islamic private debt securities	43,239	85,575
Private debt securities	1,147	327,671
	<u>44,386</u>	<u>577,497</u>

**(ii) Available-for-Sale****Group and Bank**

Jun-08	Dec-07
RM'000	RM'000

Bank Negara Malaysia bills	624,520	226,925
Bankers' acceptances	207,203	355,776
Malaysian Government treasury bills	-	63,506
Malaysian Government securities	535,491	838,137
Negotiable instruments of deposits	1,665,006	1,930,015
Cagamas Notes/ Bonds	302,984	303,895
Private debt securities	746,643	635,999
	<u>4,081,847</u>	<u>4,354,253</u>
<b>Quoted securities :</b>		
Shares of corporations	1,978	2,575
Private debt securities	6,374	5,642
	<u>8,352</u>	<u>8,217</u>
<b>Unquoted securities :</b>		
Shares	30,446	12,272
Private debt securities	276	276
	<u>30,722</u>	<u>12,548</u>
<b>Total available-for-sale securities</b>	<u>4,120,921</u>	<u>4,375,018</u>

**11. LOAN AND ADVANCES****(i) By type**

	<b>Group and Bank</b>	
	<b>Jun-08</b>	<b>Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	<b>2,748,790</b>	2,807,803
Term loans and revolving credits		
Housing loans	<b>9,442,215</b>	8,477,711
Syndicated term loan	<b>207,996</b>	423,427
Lease receivables	-	-
Other term loans/financing	<b>8,389,566</b>	7,761,387
Credit cards receivable	<b>944,355</b>	909,878
Bills receivable	<b>122,902</b>	109,501
Trust receipts	<b>930,951</b>	879,447
Staff loans	<b>97,136</b>	96,172
Others	<b>6,626</b>	9,737
	<b>22,890,537</b>	21,475,063
Claims on customers under acceptance credits	<b>4,508,635</b>	4,272,907
Less: Unearned interest	<b>(20,535)</b>	(16,744)
<b>Gross loans, advances and financing</b>	<b>27,378,637</b>	25,731,226
Allowance for bad and doubtful debts and financing		
- Specific	<b>(382,321)</b>	(341,847)
- General	<b>(407,689)</b>	(384,739)
<b>Net loans, advances and financing</b>	<b>26,588,627</b>	25,004,640

**11. LOANS AND ADVANCES (CONTINUED)**

<b>(ii) By type of customer</b>	<b>Group and Bank</b>	
	<b>Jun-08</b>	<b>Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic banking institutions	-	34,761
Domestic non-bank financial Institutions		
- Others	<b>130,633</b>	79,923
Domestic business enterprises		
- Small medium enterprises	<b>6,804,543</b>	6,728,691
- Others	<b>7,291,272</b>	6,928,583
Government	<b>48,648</b>	49,300
Individuals	<b>11,923,015</b>	11,203,375
Other domestic entities	<b>1,445</b>	3,031
Foreign entities	<b>1,179,081</b>	703,562
	<b><u>27,378,637</u></b>	<b><u>25,731,226</u></b>
 <b>(iii) By interest/profit rate sensitivity</b>		
	<b>Group and Bank</b>	
	<b>Jun-08</b>	<b>Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
Housing loans/financing	<b>96,348</b>	95,376
Other fixed rate loan/financing	<b>997,427</b>	951,484
Variable rate		
BLR plus	<b>24,797,097</b>	23,137,335
Cost-plus	<b>934,355</b>	1,061,899
Other variable rates	<b>553,410</b>	485,132
	<b><u>27,378,637</u></b>	<b><u>25,731,226</u></b>

**11. LOANS AND ADVANCES (CONTINUED)**

(iv) Loans and advances analysed according to economic sector are as follows :

	<b>Group and Bank</b>	
	<b>Jun-08</b>	<b>Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	<b>110,835</b>	117,329
Mining and quarrying	<b>34,100</b>	34,946
Manufacturing	<b>5,351,010</b>	5,127,661
Electricity, gas and water	<b>16,676</b>	28,815
Construction	<b>1,540,177</b>	1,512,810
Wholesale & retail trade and restaurants & hotels	<b>4,288,669</b>	3,811,760
Transport, storage and communication	<b>507,450</b>	521,347
Finance, insurance and business services	<b>1,311,380</b>	1,445,962
Real estate	<b>933,005</b>	1,032,166
Community, social and personal services	<b>95,477</b>	105,019
Households	<b>13,138,775</b>	11,943,691
of which: - purchase of residential properties	<b>9,848,896</b>	8,854,145
- purchase of non residential properties	<b>1,094,882</b>	981,387
- others)	<b>2,194,997</b>	2,108,159
Others	<b>51,083</b>	49,720
	<b><u>27,378,637</u></b>	<b><u>25,731,226</u></b>

## 11. LOANS AND ADVANCES (CONTINUED)

(v) Movements in the non-performing loans, advances and financing ("NPL") are as follows:

	Group and Bank	
	Jun-08 RM'000	Dec-07 RM'000
Balance as at 1 January	1,037,482	1,227,859
Non-performing during the period/year	466,827	441,253
Recoveries	(126,616)	(241,300)
Reclassified as performing	(143,754)	(185,785)
Amount written off	(86,984)	(204,545)
Balance as at 30 June / December	<u>1,146,955</u>	<u>1,037,482</u>
Specific allowance (SA)	<u>(382,321)</u>	<u>(341,847)</u>
Net non-performing loans, advances and financing	<u>764,634</u>	<u>695,635</u>
Ratio of net non-performing loans and financing to net loans and financing	<u>2.8%</u>	<u>2.7%</u>

(vi) Movements in allowance for bad and doubtful debts and financing accounts are as follows:

	Group and Bank	
	Jun-08 RM'000	Dec-07 RM'000
<b>General allowance</b>		
Balance as at 1 January	384,739	305,969
Allowance made during the period/year	22,950	78,770
Balance as at 30 June / December	<u>407,689</u>	<u>384,739</u>
% of gross loans, advances and financing (excluding loan to Government) less specific allowance	<u>1.5%</u>	<u>1.5%</u>
<b>Specific allowance</b>		
Balance as at 1 January	341,847	352,240
Allowance made during the period/year	161,641	251,780
Amount written back in respect of recoveries	(34,408)	(58,844)
Amount written off	(86,759)	(203,329)
Balance as at 30 June / December	<u>382,321</u>	<u>341,847</u>

**11. LOANS AND ADVANCES (CONTINUED)**

(vii) Non-performing loans, advances and financing analysed by economic purpose are as follows:

	Group and Bank	
	Jun-08 RM'000	Dec-07 RM'000
Agriculture, hunting, forestry and fishing	4,536	1,122
Mining and quarrying	-	596
Manufacturing	459,037	366,344
Construction	28,788	33,272
Wholesale & retail trade and restaurants & hotels	144,428	195,505
Transport, storage and communication	11,594	9,715
Finance, insurance and business services	73,388	9,690
Real estate	15,755	41,550
Community, social and personal services	12,985	14,910
Households	388,444	356,007
(of which: - purchase of residential properties	265,332	234,388
- purchase of non residential properties	14,925	13,610
- others	108,187	108,009
Others	8,000	8,771
	<b>1,146,955</b>	<b>1,037,482</b>

**12. OTHER ASSETS**

	Group		Bank	
	Jun-08 RM'000	Dec-07 RM'000	Jun-08 RM'000	Dec-07 RM'000
Other debtors, deposits and prepayments	578,489	297,550	578,443	297,511
Derivatives - assets	22,980	18,391	22,980	18,391
Accrued interest receivable	47,639	50,883	47,639	50,883
Amount due from subsidiaries	-	-	583	545
Precious Metal accounts	50,900	49,024	50,900	49,024
Foreclosed properties	4,049	4,049	4,049	4,049
	<b>704,057</b>	<b>419,897</b>	<b>704,594</b>	<b>420,403</b>

**13. DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	<b>Group and Bank</b>	
	<b>Jun-08</b>	<b>Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	<b>3,605,912</b>	3,351,581
Savings deposits	<b>1,739,758</b>	1,580,662
Fixed deposits	<b>15,274,388</b>	14,539,809
Negotiable instruments of deposits	<b>780,558</b>	520,048
Money Market Deposits	<b>3,530,029</b>	3,877,471
Others	<b>748,026</b>	563,824
	<b><u>25,678,671</u></b>	<u>24,433,395</u>

**(ii) By type of customer**

	<b>Group and Bank</b>	
	<b>Jun-08</b>	<b>Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprise	<b>10,363,082</b>	10,117,691
Individuals	<b>14,035,734</b>	13,158,735
Others	<b>1,279,855</b>	1,156,969
	<b><u>25,678,671</u></b>	<u>24,433,395</u>

**14. DEPOSITS AND PLACEMENT OF BANKS AND FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	<b>Jun-08</b>	<b>Dec-07</b>	<b>Jun-08</b>	<b>Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group and Bank</b>				
Licensed banks	<b>2,650,591</b>	1,542,212	<b>2,650,998</b>	1,542,621
Bank Negara Malaysia	<b>2,640,791</b>	1,646,506	<b>2,640,791</b>	1,646,506
Licensed Investment Bank	-	389,100	-	389,100
Other financial institutions	<b>3,800,486</b>	1,139,140	<b>3,800,486</b>	1,139,140
	<b><u>9,091,868</u></b>	<u>4,716,958</u>	<b><u>9,092,275</u></b>	<u>4,717,367</u>

**15. OTHER LIABILITIES**

	<b>Group</b>		<b>Bank</b>	
	<b>Jun-08</b>	<b>Dec-07</b>	<b>Jun-08</b>	<b>Dec-07</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for Commitments and Contingencies	<b>1,231</b>	1,236	<b>1,231</b>	1,236
Accrued interest payable	<b>190,958</b>	181,126	<b>190,958</b>	181,126
Accruals and provisions for operational expenses	<b>59,991</b>	75,778	<b>59,983</b>	75,704
Derivatives - liabilities	<b>185,012</b>	120,953	<b>185,012</b>	120,953
Other accruals and provisions	<b>244,026</b>	336,307	<b>244,012</b>	336,307
	<b><u>681,218</u></b>	<u>715,400</u>	<b><u>681,196</u></b>	<u>715,326</u>

**16. INTEREST INCOME**

	Group		Bank	
	Jun-08 RM'000	Jun-07 RM'000	Jun-08 RM'000	Jun-07 RM'000
Loans and advances				
- Interest income other than recoveries from NPL	<b>704,395</b>	597,020	<b>704,395</b>	597,020
- Recoveries from NPLs	<b>41,742</b>	74,059	<b>41,742</b>	74,059
Money at call and deposit placements with financial institutions	<b>141,693</b>	132,257	<b>141,693</b>	132,252
Held-For-Trading Securities	<b>9,582</b>	16,496	<b>9,582</b>	16,496
Available-For-Sale Securities	<b>78,059</b>	83,230	<b>78,059</b>	83,230
Others	<b>740</b>	1,900	<b>740</b>	1,901
	<b>976,211</b>	904,962	<b>976,211</b>	904,958
Amortisation of premium less accretion of discount	<b>(3,961)</b>	(3,112)	<b>(3,961)</b>	(3,112)
Net interest suspended	<b>(8,501)</b>	(2,584)	<b>(8,501)</b>	(2,584)
	<b>963,749</b>	899,266	<b>963,749</b>	899,262

**17. INTEREST EXPENSES**

	Group		Bank	
	Jun-08 RM'000	Jun-07 RM'000	Jun-08 RM'000	Jun-07 RM'000
Deposits and placements of banks and other financial institutions	<b>113,210</b>	81,969	<b>113,210</b>	81,969
Deposits from other customers	<b>370,601</b>	289,647	<b>370,601</b>	289,647
Loans sold to Cagamas	<b>5,245</b>	9,920	<b>5,245</b>	9,920
Others	<b>3,183</b>	84,373	<b>3,183</b>	84,373
	<b>492,239</b>	465,909	<b>492,239</b>	465,909

**18. OTHER OPERATING INCOME**

	Group		Bank	
	Jun-08 RM'000	Jun-07 RM'000	Jun-08 RM'000	Jun-07 RM'000
<b>The Group and Bank</b>				
<b><u>Fee income</u></b>				
Commission	47,623	55,158	47,623	54,884
Guarantee Fees	14,058	11,875	14,058	11,875
Service charges and fees	59,061	44,869	59,061	44,869
Commitment fees	10,015	11,863	10,015	11,863
Arrangement and Participation fees	4,161	6,132	4,161	6,132
	<u>134,918</u>	<u>129,897</u>	<u>134,918</u>	<u>129,623</u>
<b><u>Investment income</u></b>				
Gain/(Loss) from sale of HFT Securities	(1,234)	34,176	(1,234)	34,176
Gain/(Loss) from sale of AFS Securities	20,122	2,174	20,122	2,174
Unrealised gain/(loss) of HFT Securities	(44,720)	(1,392)	(44,720)	(1,392)
Gross dividends from :				
- Investment securities in Malaysia	942	369	942	369
- Association	-	-	-	17,743
	<u>(24,890)</u>	<u>35,327</u>	<u>(24,890)</u>	<u>53,070</u>
<b>Other income :-</b>				
Foreign exchange gain/(loss)				
- realised	25,521	56,400	25,521	56,400
- unrealised	16,439	(26,057)	16,439	(26,057)
Rental receivable from operating leases, other than those relating to investment properties	115	197	115	197
Rental income from investment properties	300	250	300	250
Gain on disposal of property, plant and equipment	10	109	10	107
Other operating income	1,622	1,384	1,622	1,384
Other non operating income	6,091	5,165	6,091	5,165
	<u>50,098</u>	<u>37,448</u>	<u>50,098</u>	<u>37,446</u>
	<u>160,126</u>	<u>202,672</u>	<u>160,126</u>	<u>220,139</u>

## 19. OTHER OPERATING EXPENSES

	Group		Bank	
	Jun-08 RM'000	Jun-07 RM'000	Jun-08 RM'000	Jun-07 RM'000
Personnel costs	<b>135,248</b>	118,176	<b>134,690</b>	117,047
Establishment costs	<b>49,411</b>	42,574	<b>49,300</b>	42,273
Marketing expenses	<b>17,694</b>	16,418	<b>18,486</b>	17,297
Administration and general expenses	<b>38,033</b>	33,245	<b>37,911</b>	33,059
	<b>240,387</b>	210,413	<b>240,387</b>	209,676
<u>Personnel costs</u>				
Salaries, allowance and bonuses	<b>108,508</b>	94,575	<b>108,035</b>	93,647
Employees Provident Fund Contributions (EPF)	<b>16,964</b>	15,321	<b>16,903</b>	15,189
Other personnel costs	<b>9,776</b>	8,280	<b>9,752</b>	8,211
	<b>135,248</b>	118,176	<b>134,690</b>	117,047
<u>Establishment costs</u>				
Depreciation	<b>19,395</b>	16,578	<b>19,363</b>	16,437
Hire of equipment	<b>37</b>	33	<b>37</b>	29
Information technology costs	<b>4,494</b>	4,273	<b>4,494</b>	4,266
Repair and maintenance	<b>8,476</b>	6,535	<b>8,443</b>	6,509
Rental of premises	<b>3,516</b>	3,074	<b>3,485</b>	2,984
Others	<b>13,493</b>	12,081	<b>13,478</b>	12,048
	<b>49,411</b>	42,574	<b>49,300</b>	42,273
<u>Marketing expenses</u>				
Advertisement and publicity	<b>9,663</b>	8,360	<b>9,647</b>	8,351
Others	<b>8,031</b>	8,058	<b>8,839</b>	8,946
	<b>17,694</b>	16,418	<b>18,486</b>	17,297
<u>Administration and general expenses</u>				
Fees and commissions paid	<b>17,015</b>	11,964	<b>16,974</b>	11,892
Other Administration and general expenses	<b>21,018</b>	21,281	<b>20,937</b>	21,167
	<b>38,033</b>	33,245	<b>37,911</b>	33,059

**20. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING**

	Group		Bank	
	Jun-08 RM'000	Jun-07 RM'000	Jun-08 RM'000	Jun-07 RM'000
<b>Allowance for bad and doubtful debts on loans and financing</b>				
(a) specific allowance (net)				
- Made in the financial period	161,641	133,482	161,641	133,482
- Written back	(34,408)	(25,622)	(34,408)	(25,622)
(b) general allowance				
- Made/(Written back) in the financial period	22,950	36,700	22,950	36,700
<b>Bad debts on loans and financing</b>				
- written off	1,259	458	1,259	458
- recovered	(44,851)	(22,406)	(44,851)	(22,406)
	<u>106,591</u>	<u>122,612</u>	<u>106,591</u>	<u>122,612</u>

**21. CAPITAL ADEQUACY**

	Group and Bank	
	Jun-08 RM'000	Dec-07 RM'000
<b>Tier I Capital</b>		
Paid-up share capital	470,000	470,000
Share premium	322,555	322,555
Retained profit	1,197,442	1,371,341
Other reserves	470,000	470,000
Less: Deferred Tax adjustments	(69,728)	(69,728)
Total Tier I Capital	<u>2,390,269</u>	<u>2,564,168</u>
<b>Tier II capital</b>		
Property revaluation reserve	37,362	37,362
General provisions for bad and doubtful debts	407,689	384,739
Total Tier II Capital	<u>445,051</u>	<u>422,101</u>
Total capital	<u>2,835,320</u>	<u>2,986,269</u>
Less: Investment in subsidiaries	(51)	(51)
Total capital base	<u>2,835,269</u>	<u>2,986,218</u>

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

Capital ratios

Core capital ratio (incl. mkt risk)	8.60%	9.96%
Risk-weighted capital ratio (incl. mkt risk)	<u>10.20%</u>	<u>11.60%</u>

**22. COMMITMENTS AND CONTINGENCIES**

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

Group and Bank	Jun-08			Dec-07		
	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000
Direct credit substitutes	1,974,495	1,974,495	1,928,689	1,856,018	1,856,018	1,803,956
Transaction-related contingent items	1,178,241	589,121	449,549	1,108,620	554,310	443,894
Short-term self-liquidating trade-related contingencies	541,057	108,211	103,402	544,727	108,945	101,385
Irrevocable commitments to extend credit						
- maturity more than one year	2,155,493	1,077,747	916,832	1,948,814	974,407	834,844
- maturity less than one year	11,770,352	-	-	16,593,290	-	-
Foreign exchange related contracts +						
- less than one year	9,758,980	214,522	54,632	9,122,314	223,948	48,504
- one year to less than one year	1,166,976	85,856	17,171	1,177,902	96,220	19,244
Interest rates related contracts +						
- less than one year	3,226,137	27,011	5,389	3,183,324	7,663	1,533
- one year to less than one year	17,441,576	734,161	145,856	15,370,242	432,381	87,967
- 5 years and above	1,734,630	185,025	37,005	911,940	103,228	20,646
Others	1,391,412	-	-	426,101	-	-
<b>Total</b>	<b>52,339,349</b>	<b>4,996,149</b>	<b>3,658,525</b>	<b>52,243,292</b>	<b>4,357,120</b>	<b>3,361,973</b>

\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines

+ Foreign exchange and interest rate contracts for the Group and the Bank are subject to market risk and credit risk.

**23. INTEREST / PROFIT RATE RISK**

Interest rate risk is the risk to earnings and value of financial instruments caused by fluctuations in interest rates.

Interest rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Bank's policies as approved by the Asset Liability Committee.

The following table shows the interest rate sensitivity gap, by time bands based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual dates due to prepayments.

**Group**  
**As at 30 June 2008**

	←----- Non-trading book -----→					Non Int Sensitive	Trading book	Total	Effective Interest Rate %
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>									
Cash & Short Term Funds	7,180,156	-	-	-	-	448,521	-	7,628,677	3.58%
Securities purchased under repo	463,526	888,290	-	-	-	-	-	1,351,816	3.46%
Deposits & Placements with CB & FI	-	502,812	188,947	-	-	-	-	691,759	6.51%
Held for Trading Securities	-	-	-	-	-	-	44,386	44,386	7.54%
Investment Securities	974,691	1,522,038	441,671	449,357	694,090	39,074	-	4,120,921	3.88%
Loans & Advances & Financing									
-performing	18,182,078	1,162,967	1,241,629	1,164,288	370,716	3,699,921	-	25,821,599	6.50%
-non-performing	-	-	-	-	-	767,028	-	767,028	
Other assets	-	-	-	-	-	2,019,030	-	2,019,030	0%
	<u>26,800,451</u>	<u>4,076,107</u>	<u>1,872,247</u>	<u>1,613,645</u>	<u>1,064,806</u>	<u>6,973,574</u>	<u>44,386</u>	<u>42,445,216</u>	
<b>Liabilities</b>									
Deposits from Customers	12,143,457	3,844,835	5,622,961	961,228	24,282	3,081,908	-	25,678,671	2.95%
Deposits & Placements of CB & FI	6,715,437	1,016,362	1,006,633	-	-	353,436	-	9,091,868	2.98%
Bills & Acceptances Payable	6,833	25,202	7,380	-	-	3,866,775	-	3,906,190	2.44%
Amount due to Cagamas	108,529	1,806	8,296	133,372	-	-	-	252,003	4.02%
Other Liabilities	-	-	-	-	-	752,087	-	752,087	0%
<b>Financed by :</b>									
Share Capital	-	-	-	-	-	470,000	-	470,000	n/a
Reserves	-	-	-	-	-	2,294,397	-	2,294,397	n/a
	<u>18,974,256</u>	<u>4,888,205</u>	<u>6,645,270</u>	<u>1,094,600</u>	<u>24,282</u>	<u>10,818,603</u>	<u>-</u>	<u>42,445,216</u>	
On B/S Interest Sensitivity Gap	7,826,195	(812,098)	(4,773,023)	519,045	1,040,524	(3,845,029)	44,386	-	
Off B/S Interest Sensitivity Gap	(1,591,275)	3,317,900	(415,378)	(1,786,617)	475,370	-	-	-	
<b>Total Interest Sensitivity Gap</b>	<u>6,234,920</u>	<u>2,505,802</u>	<u>(5,188,401)</u>	<u>(1,267,572)</u>	<u>1,515,894</u>	<u>(3,845,029)</u>	<u>44,386</u>	<u>-</u>	

## 23. INTEREST / PROFIT RATE RISK (CONTINUED)

## Bank

As at 30 June 2008

	←----- Non-trading book -----→					Non Int Sensitive	Trading book	Total	Effective Interest Rate %
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets</b>									
Cash & Short Term Funds	7,180,156	-	-	-	-	448,521	-	7,628,677	3.58%
Securities purchased under repo	463,526	888,290	-	-	-	-	-	1,351,816	3.46%
Deposits & Placements with CB & FI	-	502,812	188,947	-	-	-	-	691,759	6.51%
Held for Trading Securities	-	-	-	-	-	-	44,386	44,386	7.54%
Investment Securities	974,691	1,522,038	441,671	449,357	694,090	39,074	-	4,120,921	3.88%
Loans & Advances & Financing									
-performing	18,182,078	1,162,967	1,241,629	1,164,288	370,716	3,699,921	-	25,821,599	6.50%
-non-performing	-	-	-	-	-	767,028	-	767,028	
Other assets	-	-	-	-	-	1,977,886	-	1,977,886	0%
	<u>26,800,451</u>	<u>4,076,107</u>	<u>1,872,247</u>	<u>1,613,645</u>	<u>1,064,806</u>	<u>6,932,430</u>	<u>44,386</u>	<u>42,404,072</u>	
<b>Liabilities</b>									
Deposits from Customers	12,143,457	3,844,835	5,622,961	961,228	24,282	3,081,908	-	25,678,671	2.95%
Deposits & Placements of CB & FI	6,715,844	1,016,362	1,006,633	-	-	353,436	-	9,092,275	2.98%
Bills & Acceptances Payable	6,833	25,202	7,380	-	-	3,866,775	-	3,906,190	2.44%
Amount due to Cagamas	108,529	1,806	8,296	133,372	-	-	-	252,003	4.02%
Other Liabilities	-	-	-	-	-	752,065	-	752,065	0%
<b>Financed by :</b>									
Share Capital	-	-	-	-	-	470,000	-	470,000	n/a
Reserves	-	-	-	-	-	2,252,868	-	2,252,868	n/a
	<u>18,974,663</u>	<u>4,888,205</u>	<u>6,645,270</u>	<u>1,094,600</u>	<u>24,282</u>	<u>10,777,052</u>	<u>-</u>	<u>42,404,072</u>	
On B/S Interest Sensitivity Gap	7,825,788	(812,098)	(4,773,023)	519,045	1,040,524	(3,844,622)	44,386	-	
Off B/S Interest Sensitivity Gap	(1,591,275)	3,317,900	(415,378)	(1,786,617)	475,370	-	-	-	
<b>Total Interest Sensitivity Gap</b>	<u>6,234,513</u>	<u>2,505,802</u>	<u>(5,188,401)</u>	<u>(1,267,572)</u>	<u>1,515,894</u>	<u>(3,844,622)</u>	<u>44,386</u>	<u>-</u>	

Company No. 271809K

## **UNITED OVERSEAS BANK (MALAYSIA) BHD**

(Incorporated in Malaysia)

### **24. PERFORMANCE REVIEW**

For the half year ended 30 June 2008, the Group registered a pre-tax profit of RM287.million, a decline of RM25.7million or 8% compared to the corresponding period last year. The decline was mainly due to unrealised losses of HFT securities and higher operating expenses as a result of higher personnel cost partially due to backdating of salary increases for unionised staffs and continuous investment in infrastructure.

Net interest income improved by RM38.2million or 9% primarily due to higher loan volume from households, manufacturing and retail sectors. The net interest income growth was in line with loans growth if not for the lower recoveries from NPL as compared to the same corresponding period last year.

Allowance for losses on loans and financing decreased by RM16.0million or 13.1% compared to corresponding period last year mainly attributable to lower general provision as a result of slower loans growth.

### **25. PROSPECTS FOR 2008**

Malaysia GDP growth for 2008 is estimated to be 4.5 - 5.0% underpined by weaker external economic environment while the inflation rate is expected to be 4.5 - 5.0% due to increase in food and energy prices.

Overall, the operating environment is expected to be tougher with progressive moderation in loans growth. Nevertheless, the Bank will capitalised on its regional presence and is well positioned to compete in the targeted business segments and is confident to deliver another year of satisfactory performance in 2008.