

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 June 2005**

	Notes	<u>Group</u>		<u>Bank</u>	
		Current Financial Half-Year 30-Jun-05 RM'000	Preceding Financial Year-End 31-Dec-04 RM'000	Current Financial Half-Year 30-Jun-05 RM'000	Preceding Financial Year-End 31-Dec-04 RM'000
ASSETS					
Cash and short-term funds		1,752,174	2,910,943	1,752,174	2,910,943
Securities purchased under resale agreements		2,644,992	3,668,835	2,644,992	3,668,835
Deposits and placements with financial institutions		1,929,099	450,000	1,929,099	450,000
Held-For-Trading Securities	2	277,169	878,241	277,169	878,241
Available-For-Sale Securities	2	4,907,360	3,669,622	4,907,360	3,669,622
Loans and advances	3	16,607,357	16,189,922	16,607,357	16,189,922
Other assets	4	201,605	203,795	203,996	204,502
Statutory deposits With Bank Negara Malaysia		454,500	485,000	454,500	485,000
Investment in subsidiaries		-	-	151	151
Investment in associates		145,937	142,457	122,733	122,733
Property, plant and equipment		259,191	264,267	258,416	264,150
Deferred tax assets		37,407	37,407	37,407	37,407
Total assets		29,216,791	28,900,489	29,195,354	28,881,506
LIABILITIES AND SHAREHOLDER'S EQUITY					
Deposits from customers	5	17,111,937	15,907,311	17,111,937	15,908,324
Deposits and placements of banks and other financial institutions	6	2,617,526	4,000,651	2,618,583	4,000,651
Obligations on securities sold under repurchase agreements		4,297,889	3,128,205	4,297,889	3,128,205
Bills and acceptances payable		1,373,302	1,982,728	1,373,302	1,982,728
Amount due to Cagamas		1,291,496	1,361,055	1,291,496	1,361,055
Other liabilities	7	490,197	486,580	490,150	485,804
Taxation		55,927	45,751	55,814	45,843
Total liabilities		27,238,274	26,912,281	27,239,171	26,912,609
Financed by :					
Share Capital		470,000	470,000	470,000	470,000
Reserves		1,479,950	1,488,775	1,486,183	1,498,897
SHAREHOLDERS' EQUITY		1,949,950	1,958,775	1,956,183	1,968,897
Reserve Arising From Consolidation		28,567	29,433	-	-
		1,978,516	1,988,208	1,956,183	1,968,897
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		29,216,791	28,900,488	29,195,354	28,881,506
COMMITMENTS AND CONTINGENCIES	14	44,340,543	39,708,420	44,340,543	39,708,420

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2005**

	Notes	Group		Bank	
		Financial Half-year ended		Financial Half-year ended	
		30-Jun-05 RM'000	30-Jun-04 RM'000	30-Jun-05 RM'000	30-Jun-04 RM'000
Operating revenue		774,244	661,001	774,602	661,001
Interest income	8	613,532	586,810	613,535	586,810
Interest expenses	9	(343,246)	(314,741)	(343,246)	(314,741)
Net interest income		270,285	272,069	270,288	272,069
Other operating income	10	164,981	117,429	165,331	117,427
Operating income		435,267	389,498	435,619	389,496
Other operating expenses	11	(148,673)	(127,697)	(148,261)	(127,561)
Profit before allowance		286,593	261,801	287,358	261,935
Allowance for losses on loans and financing Provision(made)/written-back for commitments and contingencies	12	(63,008) 800	(65,077) (350)	(63,024) 800	(65,090) (350)
Profit before taxation		224,386	196,374	225,134	196,495
Amortisation of goodwill		(781)	(701)	-	-
Share of profit of associates		5,568	11,556	-	-
Profit Before taxation		229,173	207,229	225,134	196,495
Taxation					
- Bank and subsidiary companies		(63,404)	(53,712)	(63,518)	(53,712)
- associated companies		(265)	(4,119)	-	-
Profit after taxation		165,504	149,398	161,616	142,783
Basic earnings per share (sen)		35.2	31.8	34.4	30.4

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2005**

GROUP	← Non-distributable →					Distributable	
	Share Capital RM'000	Share Premium RM'000	Statutory reserves RM'000	Revaluation reserves RM'000	Revaluation reserves-AFS RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2005							
- as previously stated	470,000	322,555	470,000	35,164	-	644,072	1,941,791
- prior year adjustments					15,280	1,705	16,985
As restated	470,000	322,555	470,000	35,164	15,280	645,777	1,958,776
Net profit for the year	-	-	-	-	-	165,504	165,504
Unrealised Net loss on revaluation of securities - AFS	-	-	-	-	(5,130)	-	(5,130)
Dividends paid :							
- final dividend for year ended 31 Dec 2004	-	-	-	-	-	(169,200)	(169,200)
- interim dividend for the year ended 31 Dec 2005	-	-	-	-	-	-	-
Balance as at 30 June 2005	470,000	322,555	470,000	35,164	10,150	642,081	1,949,950

2004

Balance as at 1 January 2004	470,000	322,555	470,000	35,509	-	300,347	1,598,411
Net profit for the year	-	-	-	-	-	377,197	377,197
Realisation of revaluation surplus of land and buildings	-	-	-	(368)	-	368	-
Transfer to deferred tax	-	-	-	23	-	-	23
- final dividend for year ended 31 Dec 2003	-	-	-	-	-	(33,840)	(33,840)
Balance as at 31 December 2004	470,000	322,555	470,000	35,164	-	644,072	1,941,791

BANK

	← Non-distributable →					Distributable	
	Share Capital RM'000	Share Premium RM'000	Statutory reserves RM'000	Revaluation reserves RM'000	Revaluation reserves-AFS RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2005							
- as previously stated	470,000	322,555	470,000	50,216	-	639,141	1,951,912
- prior year adjustments					15,280	1,705	16,985
As restated	470,000	322,555	470,000	50,216	15,280	640,846	1,968,897
Net profit for the year	-	-	-	-	-	161,616	161,616
Unrealised Net loss on revaluation of securities - AFS	-	-	-	-	(5,130)	-	(5,130)
Dividends paid :							
- final dividend for year ended 31 Dec 2004	-	-	-	-	-	(169,200)	(169,200)
- interim dividend for the year ended 31 Dec 2005	-	-	-	-	-	-	-
Balance as at 30 June 2005	470,000	322,555	470,000	50,216	10,150	633,262	1,956,183

2004

Balance as at 1 January 2004	470,000	322,555	470,000	50,561	-	323,744	1,636,860
Net profit for the year	-	-	-	-	-	348,869	348,869
Realisation of revaluation surplus of land & buildings	-	-	-	(368)	-	368	-
Transfer to deferred tax	-	-	-	23	-	-	23
- final dividend for year ended 31 Dec 2003	-	-	-	-	-	(33,840)	(33,840)
Balance as at 31 December 2004	470,000	322,555	470,000	50,216	-	639,141	1,951,912

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED CASH FLOW STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2005**

	Group		Bank	
	Financial Half-year ended		Financial Half-year ended	
	30-Jun-05	30-Jun-04	30-Jun-05	30-Jun-04
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities				
Profit before taxation	229,173	207,229	225,134	196,495
Adjustment for non-cash items	<u>(23,943)</u>	<u>58,044</u>	<u>(19,581)</u>	<u>68,911</u>
Operating profit before changes in working capital	205,230	265,273	205,553	265,406
Changes in working capital :				
Net changes in operating assets	1,219,405	(1,972,661)	1,217,705	(1,972,401)
Net changes in operating liabilities	317,040	1,630,533	317,391	1,630,141
Income tax paid	<u>(53,333)</u>	<u>(52,103)</u>	<u>(53,333)</u>	<u>(52,103)</u>
Net cash generated (used in)/from operating activities	1,688,343	(128,958)	1,687,316	(128,957)
Net cash generated from investing activities	(1,198,812)	104,956	(1,197,786)	104,956
Net cash generated (used in)/from financing activities	(169,200)	(33,840)	(169,200)	(33,840)
Net changes in cash and cash equivalents	<u>320,330</u>	<u>(57,842)</u>	<u>320,330</u>	<u>(57,842)</u>
Cash and cash equivalents at beginning of the period	<u>3,360,943</u>	<u>5,186,898</u>	<u>3,360,943</u>	<u>5,186,898</u>
Cash and cash equivalents at end of the period	<u><u>3,681,273</u></u>	<u><u>5,129,056</u></u>	<u><u>3,681,273</u></u>	<u><u>5,129,056</u></u>

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005

1. BASIS OF PREPARATION

The unaudited financial statements of the Group and Bank for the 1st half-year ended 30 June 2005 comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia. The unaudited financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2004.

The accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which became effective for the current financial year. The adoption of the revised BNM/GP8 have resulted in changes in the accounting policies of the Group and Bank which have been applied prospectively in this unaudited interim financial statements and the details are disclosed.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**2. SECURITIES PORTFOLIO****(i) Held-for-Trading**

Group and Bank	Jun-05 RM'000	Dec-04 RM'000
Money market instruments :-		
Malaysian Government securities	56,084	113,303
Negotiable instruments of deposits	34,998	320,000
Islamic private debt securities	107,803	281,971
Private debt securities	78,285	162,968
	<u>277,169</u>	<u>878,241</u>

(ii) Available-for-Sale

Group and Bank	Jun-05 RM'000	Dec-04 RM'000
Malaysian Government securities	2,316	2,322
Negotiable instruments of deposits	4,269,997	3,252,000
Cagamas Notes/ Bonds	55,350	70,770
	<u>4,327,663</u>	<u>3,325,092</u>
Quoted securities :		
Shares of corporations	4,892	6,510
Private debt securities	9,057	12,452
	<u>4,341,612</u>	<u>3,344,054</u>
Unquoted securities :		
Shares	12,272	12,272
Private debt securities	553,476	313,296
	<u>565,748</u>	<u>325,568</u>
Total Available-for-Sale Securities	<u><u>4,907,360</u></u>	<u><u>3,669,622</u></u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**3. LOAN AND ADVANCES****(i) By type**

	Group		Bank	
	Jun-05 RM'000	Dec-04 RM'000	Jun-05 RM'000	Dec-04 RM'000
Overdrafts	2,860,648	2,990,998	2,860,648	2,990,998
Term loans and revolving credits				
Housing loans	4,623,861	4,237,994	4,623,861	4,237,994
Syndicated term loan	136,354	161,370	136,354	161,370
Hire purchase receivables	1,389	8,143	1,389	8,143
Lease receivables	472	489	21	21
Other term loans/financing	5,645,050	5,706,296	5,645,050	5,706,296
Credit cards receivable	480,795	457,040	480,795	457,040
Bills receivable	109,692	113,031	109,692	113,031
Trust receipts	520,762	509,032	520,762	509,032
Claims on customers under acceptance credits	2,687,439	2,623,056	2,687,439	2,623,056
Staff loans	89,882	90,936	89,882	90,936
Others	6,558	-	6,558	-
	17,162,901	16,898,386	17,162,450	16,897,918
Less: Unearned interest	(295)	(287)	(295)	(287)
Gross loans, advances and financing	17,162,605	16,898,098	17,162,154	16,897,631
Allowance for bad and doubtful debts and financing				
- Specific	(303,304)	(456,227)	(302,909)	(455,821)
- General	(251,944)	(251,950)	(251,888)	(251,888)
Net loans, advances and financing	16,607,357	16,189,922	16,607,357	16,189,922

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**3. LOANS AND ADVANCES (CONTINUED)****(ii) By type of customer**

	Jun-05	Dec-04	Jun-05	Dec-04
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial Institutions				
- stockbroking companies	5,006	29,013	5,006	29,013
- Others	86,136	120,790	86,136	120,790
Domestic business enterprises				
- Small medium enterprises	3,339,526	3,258,141	3,339,104	3,257,702
- Others	6,182,659	6,083,924	6,182,658	6,083,923
Government	894,422	1,200,252	894,422	1,200,252
Individuals	6,602,974	6,161,725	6,602,974	6,161,725
Other domestic entities	2,641	2,742	2,613	2,715
Foreign entities	49,241	41,514	49,241	41,514
	<u>17,162,605</u>	<u>16,898,098</u>	<u>17,162,154</u>	<u>16,897,631</u>

(iii) By interest/profit rate sensitivity

	Jun-05	Dec-04	Jun-05	Dec-04
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
Housing loans/financing	88,543	89,341	88,543	89,341
Hire purchase receivable	1,867	10,027	1,867	10,027
Other fixed rate loan/financing	474,838	454,549	474,838	454,549
Variable rate				
BLR plus	13,722,718	13,385,240	13,722,267	13,384,773
Cost-plus	1,263,609	1,250,716	1,263,609	1,250,716
Other variable rates	1,611,030	1,708,225	1,611,030	1,708,225
	<u>17,162,605</u>	<u>16,898,098</u>	<u>17,162,154</u>	<u>16,897,631</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**3. LOANS AND ADVANCES (CONTINUED)**

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

	Group		Bank	
	Jun-05 RM'000	Dec-04 RM'000	Jun-05 RM'000	Dec-04 RM'000
Agriculture	97,143	108,990	97,143	108,990
Mining and quarrying	15,489	16,292	15,489	16,292
Manufacturing	3,523,780	3,514,589	3,523,358	3,514,150
Electricity, gas and water	219,171	44,792	219,171	44,792
Construction	789,516	886,927	789,516	886,927
Real estate	462,676	462,746	462,676	462,746
Purchase of landed property :				
(i) Residential	4,822,109	4,426,112	4,822,109	4,426,112
(ii) Non-residential	713,428	616,155	713,428	616,155
General commerce	2,450,063	2,416,625	2,450,062	2,416,625
Transport, storage and communication	521,274	523,205	521,274	523,205
Finance, insurance and business services	383,925	458,496	383,925	458,496
Purchase of securities	618,442	660,709	618,442	660,709
Purchase of transport vehicles	10,737	11,008	10,737	11,008
Consumption credit	1,400,072	1,378,425	1,400,072	1,378,425
Government agencies	907,951	1,221,689	907,951	1,221,689
Others	226,828	151,338	226,801	151,310
	<u>17,162,605</u>	<u>16,898,098</u>	<u>17,162,154</u>	<u>16,897,631</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**3. LOANS AND ADVANCES (CONTINUED)****(v) Movements in the non-performing loans, advances and financing**

	Jun-05	Dec-04	Jun-05	Dec-04
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January	1,506,588	1,494,860	1,506,121	1,494,257
Non-performing during the period/year	185,109	698,010	185,109	697,991
Recoveries	(99,507)	(295,593)	(99,496)	(295,431)
Reclassified as performing	(112,185)	(253,705)	(112,185)	(253,705)
Amount written off	(225,663)	(136,985)	(225,657)	(136,991)
Balance as at 30 June/December	1,254,343	1,506,588	1,253,892	1,506,121
Specific allowance (SA)	(303,304)	(456,227)	(302,909)	(455,821)
Net non-performing loans, advances and financing	951,038	1,050,361	950,983	1,050,300
Ratio of net non-performing loans and financing to net loans and financing	5.64%	6.39%	5.64%	6.39%

(vi) Movements in allowance for bad and doubtful debts

	Group		Bank	
	Jun-05	Dec-04	Jun-05	Dec-04
	RM'000	RM'000	RM'000	RM'000
General allowance				
Balance as at 1 January	251,950	251,950	251,888	251,888
Allowance made during the period/year	-	-	-	-
Amount written back in respect of recoveries	(6)	-	-	-
Balances as at 30 June/December	251,944	251,950	251,888	251,888
% of gross loans, advances and financing (excluding loan to Government) less specific allowance	1.58%	1.65%	1.58%	1.65%
Specific allowance				
Balance as at 1 January	456,227	518,670	455,821	518,128
Allowance made during the period/year	98,592	216,791	98,592	216,774
Transfer to allowance for diminution in value of investment securities	-	(34,079)	-	(34,079)
Amount written back in respect of recoveries	(25,770)	(160,357)	(25,759)	(160,204)
Amount written off	(225,745)	(84,798)	(225,745)	(84,798)
Balances as at 30 June/December	303,304	456,227	302,909	455,821

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**3. LOANS AND ADVANCES (CONTINUED)**

(vii) <u>NPL by sector</u>	Jun-05	Dec-04	Jun-05	Dec-04
	RM'000	RM'000	RM'000	RM'000
Agriculture	2,179	4,523	2,179	4,523
Mining and quarrying	1,896	1,633	1,896	1,633
Manufacturing	415,228	501,268	414,806	500,829
Construction	60,298	54,513	60,298	54,513
Real estate	66,639	75,769	66,639	75,769
Purchase of landed property :	-			
(i) Residential	156,294	146,770	156,294	146,770
(ii) Non-residential	15,305	65,057	15,305	65,057
General commerce	244,006	345,382	244,005	345,381
Transport, storage and communication	4,251	9,277	4,251	9,277
Finance, insurance and business services	43,661	57,873	43,661	57,873
Purchase of securities	123,862	121,452	123,862	121,452
Purchase of transport vehicles	39	257	39	257
Consumption credit	88,298	95,147	88,298	95,147
Others	32,385	27,667	32,358	27,640
	<u>1,254,343</u>	<u>1,506,588</u>	<u>1,253,892</u>	<u>1,506,121</u>

4. OTHER ASSETS

	Group		Bank	
	Jun-05	Dec-04	Jun-05	Dec-04
	RM'000	RM'000	RM'000	RM'000
Other debtors, deposits and prepayments	126,697	123,756	126,606	123,756
Accrued interest receivable	44,168	53,018	44,168	53,018
Amount due from subsidiaries	-	-	2,482	707
Precious Metal accounts	26,934	23,216	26,934	23,216
Foreclosed properties	3,806	3,806	3,806	3,806
	<u>201,605</u>	<u>203,795</u>	<u>203,996</u>	<u>204,502</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**5. DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	Group		Bank	
	Jun-05 RM'000	Dec-04 RM'000	Jun-05 RM'000	Dec-04 RM'000
Demand deposits	1,940,774	1,910,845	1,940,774	1,911,858
Savings deposits	1,248,738	1,233,194	1,248,738	1,233,194
Fixed deposits	11,765,526	11,496,862	11,765,526	11,496,862
Negotiable instruments of deposits	1,986,662	1,239,529	1,986,662	1,239,529
Others	170,238	26,881	170,238	26,881
	<u>17,111,937</u>	<u>15,907,311</u>	<u>17,111,937</u>	<u>15,908,324</u>

(ii) By type of customer

	Group		Bank	
	Jun-05 RM'000	Dec-04 RM'000	Jun-05 RM'000	Dec-04 RM'000
Business enterprise	4,427,615	3,802,002	4,427,615	3,803,015
Individuals	10,225,422	9,993,516	10,225,422	9,993,516
Others	2,458,900	2,111,793	2,458,900	2,111,793
	<u>17,111,937</u>	<u>15,907,311</u>	<u>17,111,937</u>	<u>15,908,324</u>

6. DEPOSITS AND PLACEMENT OF BANKS AND FINANCIAL INSTITUTIONS

	Group		Bank	
	Jun-05 RM'000	Dec-04 RM'000	Jun-05 RM'000	Dec-04 RM'000
Group and Bank				
Licensed banks	2,516,410	3,849,699	2,517,467	3,849,699
Bank Negara Malaysia	48,400	132,574	48,400	132,574
Other financial institutions	52,715	18,378	52,715	18,378
	<u>2,617,526</u>	<u>4,000,651</u>	<u>2,618,583</u>	<u>4,000,651</u>

7. OTHER LIABILITIES

	Group		Bank	
	Jun-05 RM'000	Dec-04 RM'000	Jun-05 RM'000	Dec-04 RM'000
Provision for Commitments and Contingencies	1,304	2,105	1,304	2,105
Accrued interest payable	152,167	152,440	152,167	152,440
Accruals and provisions for operational expenses	66,181	39,634	66,181	39,634
Other accruals and provisions	270,545	292,401	270,498	291,625
	<u>490,197</u>	<u>486,580</u>	<u>490,150</u>	<u>485,804</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**8. INTEREST INCOME**

	Group		Bank	
	Jun-05 RM'000	Jun-04 RM'000	Jun-05 RM'000	Jun-04 RM'000
Loans and advances				
- Interest income other than recoveries from NPL	406,839	376,553	406,842	376,553
- Recoveries from NPLs	40,680	42,728	40,680	42,728
Money at call and deposit placements with financial institutions	105,748	88,148	105,748	88,148
Held-For-Trading Securities	6,151	62,420	6,151	62,420
Available-For-Sale Securities	51,866	6,233	51,866	6,233
Others	4,513	14,306	4,513	14,306
	615,798	590,387	615,800	590,387
Amortisation of premium less accretion of discount	(37)	(409)	(37)	(409)
Net interest suspended	(2,229)	(3,168)	(2,229)	(3,168)
	613,532	586,810	613,535	586,810

9. INTEREST EXPENSES

	Jun-05 RM'000	Jun-04 RM'000
Group and Bank		
Deposits and placements of banks and other financial institutions	38,044	26,265
Deposits from other customers	197,117	166,566
Loans sold to Cagamas	23,934	26,236
Others	84,151	95,674
	343,246	314,741

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**10. OTHER OPERATING INCOME**

	Group		Bank	
	Jun-05 RM'000	Jun-04 RM'000	Jun-05 RM'000	Jun-04 RM'000
The Group and Bank				
<u>Fee income</u>				
Commission	29,601	32,581	29,552	32,581
Guarantee Fees	5,775	6,294	5,775	6,294
Service charges and fees	46,168	37,609	46,168	37,607
Commitment fees	9,574	9,154	9,574	9,154
Arrangement and Participation fees	11,460	7,764	11,460	7,764
	<u>102,577</u>	<u>93,402</u>	<u>102,529</u>	<u>93,400</u>
<u>Investment income</u>				
Gain/(Loss) from sale of HFT Securities	55,199	(812)	55,199	(812)
Gain/(Loss) from sale of AFS Securities	672	(88)	672	(88)
Unrealised gain/(loss) of HFT Securities	(12,956)	3,697	(12,956)	3,697
Gross dividends from :				
- Investment securities in Malaysia	396	281	396	281
- Association	-	-	404	-
	<u>43,310</u>	<u>3,077</u>	<u>43,714</u>	<u>3,077</u>
Other income :-				
Foreign exchange gain/(loss)				
- realised	13,171	16,745	12,042	16,745
- unrealised	920	(893)	2,050	(893)
Rental income	285	301	285	301
Gain on disposal of property, plant and equipment	27	136	27	136
Others	4,691	4,661	4,685	4,661
	<u>19,094</u>	<u>20,950</u>	<u>19,088</u>	<u>20,950</u>
	<u>164,981</u>	<u>117,429</u>	<u>165,331</u>	<u>117,427</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**11. OTHER OPERATING EXPENSES**

	Group		Bank	
	Jun-05 RM'000	Jun-04 RM'000	Jun-05 RM'000	Jun-04 RM'000
Personnel costs	75,054	63,242	74,752	63,195
Establishment costs	31,820	28,761	31,738	28,754
Marketing expenses	10,729	7,972	10,717	7,971
Administration and general expenses	31,070	27,723	31,053	27,642
	<u>148,673</u>	<u>127,697</u>	<u>148,261</u>	<u>127,561</u>
<u>Personnel costs</u>				
Salaries, allowance and bonuses	60,455	51,471	60,198	51,430
Employees Provident Fund Contributions (EPF)	9,874	11,079	9,832	11,072
Other personnel costs	4,725	693	4,723	693
	<u>75,054</u>	<u>63,242</u>	<u>74,752</u>	<u>63,195</u>
<u>Establishment costs</u>				
Depreciation	13,803	12,834	13,764	12,833
Information technology costs	3,377	2,386	3,377	2,386
Repair and Maintenance	5,100	3,828	5,097	3,825
Rental of Premises	1,439	1,502	1,403	1,499
Others	8,101	8,211	8,097	8,211
	<u>31,820</u>	<u>28,761</u>	<u>31,738</u>	<u>28,754</u>
<u>Marketing expenses</u>				
Advertisement and publicity	5,979	3,878	5,973	3,878
Others	4,750	4,093	4,745	4,093
	<u>10,729</u>	<u>7,971</u>	<u>10,717</u>	<u>7,971</u>
<u>Administration and general expenses</u>				
Fees and commissions paid	14,886	12,540	15,124	12,540
Other Administration and general expenses	16,184	15,183	15,929	15,102
	<u>31,070</u>	<u>27,723</u>	<u>31,053</u>	<u>27,642</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**12. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING**

	Group		Bank	
	Jun-05 RM'000	Jun-04 RM'000	Jun-05 RM'000	Jun-04 RM'000
Allowance for bad and doubtful debts on loans and financing				
(a) specific allowance (net)				
- Made in the financial period	98,592	117,184	98,592	117,172
- Written back	(25,770)	(44,863)	(25,759)	(44,838)
(b) general allowance				
- Made/(Written back) in the financial period	(6)	-	-	-
Bad debts on loans and financing				
- written off	(89)	442	(89)	442
- recovered	(9,720)	(7,685)	(9,720)	(7,685)
	<u>63,008</u>	<u>65,077</u>	<u>63,024</u>	<u>65,090</u>

13. CAPITAL ADEQUACY

Group and Bank	Jun-05 RM'000	Dec-04 RM'000
Tier I Capital		
Paid-up share capital	470,000	470,000
Share premium	322,555	322,555
Retained profit, as restated	471,645	640,845
As previously stated	-	639,141
Prior year adjustments *	-	1,704
Other reserves	480,150	470,000
Less: Revaluation Reserve : Available-For-Sale	(10,150)	-
Deferred Tax adjustments	(37,407)	(37,407)
Total Tier I Capital	<u>1,696,793</u>	<u>1,865,993</u>
Tier II capital		
Property revaluation reserve	25,108	25,108
General provisions for bad and doubtful debts	251,888	251,888
Total Tier II Capital	<u>276,996</u>	<u>276,996</u>
Total capital	<u>1,973,789</u>	<u>2,142,989</u>
Less: Investment in subsidiaries	(151)	(151)
Total capital base	<u>1,973,638</u>	<u>2,142,838</u>

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

Core capital ratio	<u>9.69%</u>	<u>11.39%</u>
Risk-weighted capital ratio	<u>11.28%</u>	<u>13.08%</u>

* Prior year adjustments are in respect of the change in accounting policies as disclosed in Note 16.

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

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005

14. 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-05			Dec-04		
	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	1,217,061	1,217,061	1,153,001	778,849	778,849	726,469
Transaction-related contingent items	787,715	393,858	329,786	880,661	440,331	392,921
Short-term self-liquidating trade-related contingencies	337,313	67,463	70,063	307,371	61,474	53,336
Irrevocable commitments to extend credit						
- maturity more than one year	1,455,888	727,944	638,602	1,246,101	623,051	536,292
- maturity less than one year	11,974,739	-	-	11,742,716	-	-
Foreign exchange related contracts						
- less than one year	6,219,492	82,007	18,606	4,294,288	258,630	55,237
- one year to less than one year	608,000	62,538	12,508	-	-	-
- 5 years and above	-	-	-	-	-	-
Interest rates related contracts						
- less than one year	4,198,299	8,103	1,621	2,034,627	15,855	3,207
- one year to less than one year	16,463,885	141,499	29,714	18,158,448	131,187	26,236
- 5 years and above	585,400	78,756	15,751	-	-	-
Others	492,751	-	-	265,359	-	-
Total	44,340,543	2,779,228	2,269,652	39,708,420	2,309,377	1,793,699

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**15. INTEREST / PROFIT RATE RISK****Group**

As at 30 June 2005

	←----- Non-trading book ----->						Trading book	Total	Effective Interest Rate
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash & Short Term Funds	1,660,869	-	-	-	-	91,305	-	1,752,174	2.91
Securities purchased under repo	1,265,434	952,929	426,629	-	-	-	-	2,644,992	2.79
Deposits & Placements with CB & FI	-	1,922,075	7,024	-	-	-	-	1,929,099	2.91
Held for Trading Securities	-	-	-	-	-	-	277,169	277,169	2.06
Investment Securities	2,409,998	1,799,999	60,000	260,234	349,491	27,638	-	4,907,360	2.83
Loans & Advances & Financing									
-performing	9,928,192	1,824,000	1,671,247	835,908	189,372	1,202,152	-	15,650,871	6.33
-non-performing	-	-	-	-	-	956,486	-	956,486	-
Other assets	-	-	-	-	-	1,098,640	-	1,098,640	-
	15,264,493	6,499,003	2,164,900	1,096,142	538,863	3,376,221	277,169	29,216,791	
Liabilities									
Deposits from Customers	6,575,432	3,020,526	5,367,378	146,188	181,669	1,820,744	-	17,111,937	2.65
Deposits & Placements of CB & FI	1,677,010	304,000	544,011	329	-	92,176	-	2,617,526	2.70
Securities Sold Under Repo	4,085,332	191,986	20,571	-	-	-	-	4,297,889	2.64
Bills & Acceptances Payable	7,214	19,563	5,890	-	-	1,340,635	-	1,373,302	2.13
Amount due to Cagamas	11,390	19,586	225,375	1,001,566	33,579	-	-	1,291,496	3.79
Other Liabilities	-	-	-	-	-	546,124	-	546,124	-
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	-
Reserves	-	-	-	-	-	1,508,517	-	1,508,517	-
	12,356,378	3,555,661	6,163,225	1,148,083	215,248	5,778,196	-	29,216,791	
On B/S Interest Sensitivity Gap	2,908,115	2,943,342	(3,998,325)	(51,941)	323,615	(2,401,975)	277,169	-	-
Off B/S Interest Sensitivity Gap	360,000	454,200	592,211	(991,011)	(415,400)	-	-	-	-
Total Interest Sensitivity Gap	3,268,115	3,397,542	(3,406,114)	(1,042,952)	(91,785)	(2,401,975)	277,169	-	-

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005**15. INTEREST / PROFIT RATE RISK (CONTINUED)****Bank**

As at 30 June 2005

	←----- Non-trading book -----→						Trading book	Total	Effective Interest Rate
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash & Short Term Funds	1,660,869	-	-	-	-	91,305	-	1,752,174	2.91
Securities purchased under repo	1,265,434	952,929	426,629	-	-	-	-	2,644,992	2.79
Deposits & Placements with CB & FI	-	1,922,075	7,024	-	-	-	-	1,929,099	2.91
Held for Trading Securities	-	-	-	-	-	-	277,169	277,169	2.06
Investment Securities	2,409,998	1,799,999	60,000	260,234	349,491	27,638	-	4,907,360	2.83
Loans & Advances & Financing								-	
-performing	9,928,192	1,824,000	1,671,247	835,908	189,372	1,202,152	-	15,650,871	6.33
-non-performing	-	-	-	-	-	956,486	-	956,486	-
Other assets	-	-	-	-	-	1,077,203	-	1,077,203	-
	15,264,493	6,499,003	2,164,900	1,096,142	538,863	3,354,784	277,169	29,195,354	
Liabilities									
Deposits from Customers	6,575,432	3,020,526	5,367,378	146,188	181,669	1,820,744	-	17,111,937	2.65
Deposits & Placements of CB & FI	1,678,067	304,000	544,011	329	-	92,176	-	2,618,583	2.70
Securities Sold Under Repo	4,085,332	191,986	20,571	-	-	-	-	4,297,889	2.64
Bills & Acceptances Payable	7,214	19,563	5,890	-	-	1,340,635	-	1,373,302	2.13
Amount due to Cagamas	11,390	19,586	225,375	1,001,566	33,579	-	-	1,291,496	3.79
Other Liabilities	-	-	-	-	-	545,964	-	545,964	-
Financed by :								-	
Share Capital	-	-	-	-	-	470,000	-	470,000	-
Reserves	-	-	-	-	-	1,486,183	-	1,486,183	-
	12,357,435	3,555,661	6,163,225	1,148,083	215,248	5,755,702	-	29,195,354	
On B/S Interest Sensitivity Gap	2,907,058	2,943,342	(3,998,325)	(51,941)	323,615	(2,400,918)	277,169	-	
Off B/S Interest Sensitivity Gap	360,000	454,200	592,211	(991,011)	(415,400)	-	-	-	
Total Interest Sensitivity Gap	3,267,058	3,397,542	(3,406,114)	(1,042,952)	(91,785)	(2,400,918)	277,169	-	

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005

16. CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Change in Accounting Policies

During the half year ended 30 June 2005, the Group and the Bank have adopted the revised BNM/GP8 which have resulted in the following new accounting policies:

- 1) The holdings of the securities portfolio of the Group and the Bank are segregated based on the following categories and valuation methods:

- i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired and held principally for the intention of resale in the near term. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.

- ii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for trading or held-to-maturity investments. The securities available-for-sale are measured at fair value or at amortised cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity. When the financial assets are sold, collected, disposed of or impaired, the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

- 2) Derivatives financial instruments are recognised at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statement.
- 3) Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously.

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2005

16. CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

b) Prior Year Adjustments

The following comparative figures have been restated for the effects of adopting the above change in accounting policies:

	Group		Bank	
	As restated	As previously reported	As restated	As previously reported
	RM'000	RM'000	RM'000	RM'000
i) Balance sheet as at 31 December 2004				
Dealing securities	-	878,241	-	878,241
Investment securities	-	3,638,850	-	3,638,850
Held-for-trading securities	878,241	-	878,241	-
Available-for-sale securities	3,669,622	-	3,669,622	-
Other assets	203,795	203,695	204,502	204,402
Other liabilities	486,580	472,692	485,804	471,916
Reserves	1,488,775	1,471,791	1,498,897	1,481,912

17. PERFORMANCE REVIEW

The Group's pre-tax profit for the half year ended 30 June 2005 of RM229.2million was RM22.0million or 10.6% higher than that of the previous corresponding quarter of RM207.2million. The improvement in earning was primarily due to higher net interest income, non-interest income especially gain from sale of HFT securities and fee income.

The increase were partially offset by higher overhead expenses of RM20.9million as compared to previous corresponding period coupled with lower share of profit from associated companies.

18. PROSPECTS FOR 2005

The Malaysian economy is expected to grow moderately, driven mainly by domestic demand through higher private consumption and investment. Going forward, competition in the banking sector is expected to intensify. Leveraging on its strong financial footing, the Bank is confident of meeting the challenges ahead.

18. Dividends

A final gross dividend of 50 sen per share less tax, totalling RM169.2million in respect of the financial year ended 31 December 2004 was paid during the second quarter.