

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 31 MARCH 2006**

	Notes	Group		Bank	
		31-Mar-06 RM'000	31-Dec-05 RM'000	31-Mar-06 RM'000	31-Dec-05 RM'000
ASSETS					
Cash and short-term funds		3,819,615	2,815,289	3,819,615	2,815,289
Securities purchased under resale agreements		1,520,411	1,752,102	1,520,411	1,752,102
Deposits and placements with financial institutions		1,159,233	2,689,850	1,159,233	2,689,850
Held-For-Trading Securities	2	928,755	1,372,252	928,755	1,372,252
Available-For-Sale Securities	2	4,919,011	3,995,319	4,919,011	3,995,319
Loans and advances	3	17,601,692	17,201,022	17,601,692	17,201,022
Other assets	4	679,742	327,549	683,239	330,709
Statutory deposits With Bank Negara Malaysia		468,000	478,500	468,000	478,500
Investment in subsidiaries		-	-	151	151
Investment in associates		147,778	151,452	122,733	122,733
Property, plant and equipment		261,439	261,737	260,475	260,772
Deferred tax assets		35,691	35,691	35,691	35,691
Total assets		31,541,368	31,080,763	31,519,007	31,054,390
LIABILITIES AND SHAREHOLDER'S EQUITY					
Deposits from customers	5	16,829,452	16,639,605	16,829,452	16,639,605
Deposits and placements of banks and other financial institutions	6	3,343,941	4,295,228	3,345,227	4,296,453
Obligations on securities sold under repurchase agreements		4,559,410	4,510,905	4,559,410	4,510,905
Bills and acceptances payable		2,524,578	1,658,952	2,524,578	1,658,952
Amount due to Cagamas		1,215,928	1,302,529	1,215,928	1,302,529
Other liabilities	7	762,382	470,859	762,332	470,785
Taxation		49,602	38,310	49,602	38,310
Total liabilities		29,285,293	28,916,388	29,286,530	28,917,539
Financed by :					
Share Capital		470,000	470,000	470,000	470,000
Reserves		1,786,075	1,666,674	1,762,478	1,666,851
SHAREHOLDERS' EQUITY		2,256,075	2,136,674	2,232,478	2,136,851
Reserve Arising From Consolidation		-	27,701	-	-
		2,256,075	2,164,375	2,232,478	2,136,851
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		31,541,368	31,080,763	31,519,007	31,054,390
COMMITMENTS AND CONTINGENCIES	14	46,150,002	42,989,414	46,150,002	42,989,414

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2006**

	Notes	Group		Bank	
		Three months period ended		Three months period ended	
		31-Mar-06 RM'000	31-Mar-05 RM'000	31-Mar-06 RM'000	31-Mar-05 RM'000
Operating revenue		434,898	390,669	443,618	390,671
Interest income	8	347,529	301,154	347,523	301,157
Interest expenses	9	(203,450)	(168,705)	(203,450)	(168,705)
Net interest income		144,079	132,450	144,073	132,453
Other operating income	10	89,374	91,628	98,098	91,611
Operating income		233,452	224,078	242,172	224,064
Other operating expenses	11	(76,778)	(76,451)	(76,435)	(76,254)
Profit before allowance		156,675	147,627	165,736	147,810
Allowance for losses on loans and financing Provision(made)/written-back for commitments and contingencies	12	(34,666)	(33,346)	(34,664)	(33,356)
Profit before taxation		121,975	114,557	131,039	114,730
Amortisation of goodwill		-	(390)	-	-
Share of profit of associates		4,091	6,525	-	-
Profit Before taxation		126,067	120,691	131,039	114,730
Taxation					
- Bank and subsidiary companies		(35,030)	(32,124)	(37,497)	(32,124)
- Associated companies		(1,422)	(2,827)	-	-
Profit after taxation		89,614	85,740	93,542	82,606
Basic earnings per share (sen)		19.1	18.2	19.9	17.6

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED 31 MARCH 2006**

GROUP	← Non-distributable →					Distributable	Total RM'000
	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	
	Balance as at 1 January 2006	470,000	322,555	470,000	35,737	4,764	
Net profit for the year	-	-	-	-	-	89,614	89,614
Net loss on available-for-sale securities	-	-	-	-	2,084	-	2,084
Negative goodwill on consolidation written back to Retained profit	-	-	-	-	-	27,702	27,702
Balance as at 31 March 2006	470,000	322,555	470,000	35,737	6,848	950,935	2,256,075

2005

Balance as at 1 January 2005

- as previously stated

- prior year adjustments

Balance as at 1 January 2005 (restated)

Net profit for the year

Net loss on available-for-sale securities

Tax effect in net loss of AFS

Transfer from/(to) deferred taxation

Dividends paid :

- final dividend for year ended 31 December 2004

Balance as at 31 December 2005

470,000	322,555	470,000	35,164	-	644,072	1,941,791
-	-	-	-	11,002	1,704	12,706
470,000	322,555	470,000	35,164	11,002	645,776	1,954,497
-	-	-	-	-	357,043	357,043
-	-	-	-	(8,665)	-	(8,665)
-	-	-	-	2,426	-	2,426
-	-	-	573	-	-	573
-	-	-	-	-	(169,200)	(169,200)
470,000	322,555	470,000	35,737	4,764	833,619	2,136,674

BANK

Balance as at 1 January 2006

Net profit for the year

Unrealised Net loss on revaluation of securities - AFS

Balance as at 31 March 2006

BANK	← Non-distributable →					Distributable	Total RM'000
	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	
	Balance as at 1 January 2006	470,000	322,555	470,000	50,789	4,764	
Net profit for the year	-	-	-	-	-	93,542	93,542
Unrealised Net loss on revaluation of securities - AFS	-	-	-	-	2,084	-	2,084
Balance as at 31 March 2006	470,000	322,555	470,000	50,789	6,848	912,286	2,232,478

2005

Balance as at 1 January 2005

- as previously stated

- prior year adjustments

Balance as at 1 January 2005 (restated)

Net profit for the year

Net loss on available-for-sale securities

Tax effect in net loss of AFS

Transfer from/(to) deferred taxation

Dividends paid :

- final dividend for year ended 31 Dec 2004

Balance as at 31 December 2005

470,000	322,555	470,000	50,216	-	639,141	1,951,912
-	-	-	-	11,002	1,704	12,706
470,000	322,555	470,000	50,216	11,002	640,845	1,964,618
-	-	-	-	-	347,099	347,099
-	-	-	-	(8,665)	-	(8,665)
-	-	-	-	2,426	-	2,426
-	-	-	573	-	-	573
-	-	-	-	-	(169,200)	(169,200)
470,000	322,555	470,000	50,789	4,764	818,744	2,136,851

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS FOR THREE MONTHS PERIOD ENDED 31 MARCH 2006

	Group		Bank	
	Three months period ended		Three months period ended	
	31-Mar-06 RM'000	31-Mar-05 RM'000	31-Mar-06 RM'000	31-Mar-05 RM'000
Cash Flows From Operating Activities				
Profit before taxation	126,067	120,691	131,039	114,730
Adjustment for non-cash items	(20,222)	(20,864)	(24,992)	(14,727)
Operating profit before changes in working capital	105,845	99,827	106,048	100,003
Changes in working capital :				
Net changes in operating assets	(75,379)	(1,305,912)	(82,059)	(1,306,162)
Net changes in operating liabilities	357,581	(277,577)	357,665	(277,503)
Income tax paid	(23,625)	(27,083)	(23,625)	(27,083)
Net cash generated (used in)/from operating activities	364,422	(1,510,745)	358,029	(1,510,745)
Net cash generated from investing activities	(890,714)	1,173,929	(884,321)	1,173,929
Net changes in cash and cash equivalents	(526,292)	(336,816)	(526,292)	(336,816)
Cash and cash equivalents at beginning of the period	5,505,140	3,360,943	5,505,140	3,360,943
Cash and cash equivalents at end of the period	4,978,847	3,024,127	4,978,848	3,024,127

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006

1. BASIS OF PREPARATION

The unaudited financial statements of the Group and Bank for the three months ended 31 March 2006 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 2005.

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.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**2. SECURITIES PORTFOLIO****(i) Held-for-Trading**

Group and Bank	Mar-06	Dec-05
Money market instruments :-	RM'000	RM'000
Malaysian Government treasury bills	2,262	-
Malaysian Government securities	5,054	-
Bankers' acceptances and Islamic accepted bills	48,539	307,665
Islamic private debt securities	250,376	406,152
Private debt securities	622,524	658,434
	<u>928,755</u>	<u>1,372,251</u>

(ii) Available-for-Sale

Group and Bank	Mar-06	Dec-05
	RM'000	RM'000
Bank Negara Malaysia bills	9,988	240,134
Malaysian Government treasury bills	62,535	101,827
Malaysian Government securities	2,246	2,266
Negotiable instruments of deposits	4,759,756	3,567,955
Cagamas Notes/ Bonds	60,067	60,100
	<u>4,894,592</u>	<u>3,972,282</u>
Quoted securities :		
Shares of corporations	6,502	3,827
Private debt securities	4,228	5,521
	<u>4,905,322</u>	<u>3,981,630</u>
Unquoted securities :		
Shares	12,272	12,272
Private debt securities	1,417	1,417
	<u>13,689</u>	<u>13,689</u>
Total Available-for-Sale Securities	<u>4,919,011</u>	<u>3,995,319</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**3. LOAN AND ADVANCES****(i) By type**

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Overdrafts	2,841,748	2,796,237	2,841,748	2,796,237
Term loans and revolving credits				
Housing loans	5,514,011	5,180,860	5,514,011	5,180,860
Syndicated term loan	91,100	123,331	91,100	123,331
Hire purchase receivables	3	3	3	3
Lease receivables	453	451	3	3
Other term loans/financing	5,715,485	5,659,837	5,715,485	5,659,837
Credit cards receivable	576,639	578,868	576,639	578,868
Bills receivable	115,315	109,123	115,315	109,123
Trust receipts	379,098	429,032	379,098	429,032
Claims on customers under acceptance credits	2,872,840	2,821,799	2,872,840	2,821,799
Staff loans	87,884	88,446	87,884	88,446
Others	8,911	2,570	8,911	2,570
	<u>18,203,486</u>	<u>17,790,557</u>	<u>18,203,036</u>	<u>17,790,109</u>
Less: Unearned interest	(427)	(357)	(427)	(357)
Gross loans, advances and financing	18,203,058	17,790,200	18,202,609	17,789,752
Allowance for bad and doubtful debts and financing				
- Specific	(346,622)	(337,234)	(346,228)	(336,842)
- General	(254,744)	(251,944)	(254,688)	(251,888)
Net loans, advances and financing	17,601,692	17,201,022	17,601,692	17,201,022

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**3. LOANS AND ADVANCES (CONTINUED)**

(ii) By type of customer	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Domestic non-bank financial Institutions				
- stockbroking companies	4,861	4,769	4,861	4,769
- Others	66,782	96,012	66,782	96,012
Domestic business enterprises				
- Small medium enterprises	3,592,761	3,438,523	3,592,341	3,438,104
- Others	5,873,177	5,983,238	5,873,176	5,983,237
Government	865,826	886,376	865,826	886,376
Individuals	7,677,545	7,295,767	7,677,545	7,295,767
Other domestic entities	2,517	2,510	2,488	2,482
Foreign entities	119,589	83,005	119,589	83,005
	<u>18,203,058</u>	<u>17,790,200</u>	<u>18,202,609</u>	<u>17,789,752</u>
(iii) By interest/profit rate sensitivity	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Fixed rate				
Housing loans/financing	86,713	87,241	86,713	87,241
Hire purchase receivable	6	6	6	6
Other fixed rate loan/financing	570,093	572,216	570,093	572,216
Variable rate				
BLR plus	15,141,302	14,610,624	15,140,852	14,610,175
Cost-plus	1,043,463	1,114,256	1,043,463	1,114,257
Other variable rates	1,361,482	1,405,857	1,361,482	1,405,857
	<u>18,203,058</u>	<u>17,790,200</u>	<u>18,202,609</u>	<u>17,789,752</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**3. LOANS AND ADVANCES (CONTINUED)**(iv) **Loans and advances analysed according to economic sector are as follows :**

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Agriculture	103,766	94,010	103,766	94,010
Mining and quarrying	20,588	16,753	20,588	16,753
Manufacturing	3,626,628	3,570,086	3,626,208	3,569,668
Electricity, gas and water	31,161	21,171	31,161	21,171
Construction	737,701	779,883	737,701	779,883
Real estate	387,759	385,429	387,759	385,429
Purchase of landed property :				
(i) Residential	5,737,526	5,391,364	5,737,526	5,391,364
(ii) Non-residential	943,036	855,836	943,036	855,836
General commerce	2,540,631	2,536,708	2,540,630	2,536,707
Transport, storage and communication	497,370	517,377	497,370	517,377
Finance, insurance and business services	428,241	450,717	428,241	450,717
Purchase of securities	528,774	550,214	528,774	550,214
Purchase of transport vehicles	9,835	10,243	9,835	10,243
Consumption credit	1,531,079	1,515,634	1,531,079	1,515,634
Government agencies	877,522	898,616	877,522	898,616
Others	201,441	196,159	201,412	196,130
	<u>18,203,058</u>	<u>17,790,200</u>	<u>18,202,609</u>	<u>17,789,752</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**3. LOANS AND ADVANCES (CONTINUED)****(v) Movements in the non-performing loans, advances and financing**

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Balance as at 1 January	1,200,785	1,506,588	1,200,338	1,506,121
Non-performing during the period/year	156,286	431,135	156,284	431,140
Recoveries	(27,506)	(187,953)	(27,506)	(187,938)
Reclassified as performing	(33,537)	(251,625)	(33,537)	(251,625)
Amount written off	(36,731)	(297,360)	(36,731)	(297,360)
Balance as at 31 March / December	<u>1,259,297</u>	<u>1,200,785</u>	<u>1,258,848</u>	<u>1,200,338</u>
Specific allowance (SA)	<u>(346,622)</u>	<u>(337,234)</u>	<u>(346,228)</u>	<u>(336,842)</u>
Net non-performing loans, advances and financing	<u>912,676</u>	<u>863,551</u>	<u>912,620</u>	<u>863,496</u>
Ratio of net non-performing loans and financing to net loans and financing	<u>5.11%</u>	<u>4.95%</u>	<u>5.11%</u>	<u>4.95%</u>

(vi) Movements in allowance for bad and doubtful debts

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
General allowance				
Balance as at 1 January	251,950	251,950	251,888	251,888
Allowance made during the period/year	2,800	-	2,800	-
Amount written back in respect of recoveries	(6)	(6)	-	-
Balances as at 31 March / December	<u>254,744</u>	<u>251,944</u>	<u>254,688</u>	<u>251,888</u>
% of gross loans, advances and financing (excluding loan to Government) less specific allowance	<u>1.50%</u>	<u>1.52%</u>	<u>1.50%</u>	<u>1.52%</u>

Specific allowance

Balance as at 1 January	337,234	456,227	336,842	455,821
Allowance made during the period/year	57,773	241,993	57,771	241,992
Amount written back in respect of recoveries	(16,841)	(63,602)	(16,841)	(63,587)
Amount written off	(31,382)	(297,384)	(31,382)	(297,384)
Transfer back upon debt restructuring	(162)	-	(162)	-
Balances as at 31 March / December	<u>346,622</u>	<u>337,234</u>	<u>346,228</u>	<u>336,842</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**3. LOANS AND ADVANCES (CONTINUED)**

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
(vii) <u>NPL by sector</u>				
Agriculture	1,975	1,875	1,975	1,875
Mining and quarrying	2,857	3,196	2,857	3,196
Manufacturing	414,348	400,796	413,928	400,378
Electricity, gas and water	789	732	789	732
Construction	12,212	11,889	12,212	11,889
Real estate	50,870	46,248	50,870	46,248
Purchase of landed property :				
(i) Residential	185,965	165,725	185,965	165,725
(ii) Non-residential	45,235	47,884	45,235	47,884
General commerce	237,869	218,573	237,868	218,572
Transport, storage and communication	3,123	3,805	3,123	3,805
Finance, insurance and business services	33,895	42,700	33,895	42,700
Purchase of securities	152,099	137,812	152,099	137,812
Purchase of transport vehicles	64	50	64	50
Consumption credit	93,394	93,982	93,394	93,982
Others	24,602	25,518	24,573	25,490
	<u>1,259,297</u>	<u>1,200,785</u>	<u>1,258,848</u>	<u>1,200,338</u>

4. OTHER ASSETS

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Other debtors, deposits and prepayments	588,584	247,960	588,554	247,930
Accrued interest receivable	47,528	48,483	47,528	48,483
Amount due from subsidiaries	-	-	3,527	3,190
Precious Metal accounts	39,897	27,300	39,897	27,300
Foreclosed properties	3,734	3,806	3,734	3,806
	<u>679,742</u>	<u>327,549</u>	<u>683,239</u>	<u>330,709</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**5. DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Demand deposits	2,170,420	2,182,347	2,170,420	2,182,347
Savings deposits	1,283,681	1,262,496	1,283,681	1,262,496
Fixed deposits	11,924,124	11,728,219	11,924,124	11,728,219
Negotiable instruments of deposits	1,047,412	1,111,597	1,047,412	1,111,597
Others	403,815	354,946	403,815	354,946
	<u>16,829,452</u>	<u>16,639,605</u>	<u>16,829,452</u>	<u>16,639,605</u>

(ii) By type of customer	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Business enterprise	4,902,907	4,357,187	4,902,907	4,357,187
Individuals	10,774,912	10,558,877	10,774,912	10,558,877
Others	1,151,633	1,723,541	1,151,633	1,723,541
	<u>16,829,452</u>	<u>16,639,605</u>	<u>16,829,452</u>	<u>16,639,605</u>

6. DEPOSITS AND PLACEMENT OF BANKS AND FINANCIAL INSTITUTIONS

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Group and Bank				
Licensed banks	3,118,034	4,068,151	3,119,320	4,069,376
Bank Negara Malaysia	212,813	212,813	212,813	212,813
Other financial institutions	13,094	14,264	13,094	14,264
	<u>3,343,941</u>	<u>4,295,228</u>	<u>3,345,227</u>	<u>4,296,453</u>

7. OTHER LIABILITIES

	Group		Bank	
	Mar-06 RM'000	Dec-05 RM'000	Mar-06 RM'000	Dec-05 RM'000
Provision for Commitments and Contingencies	1,363	1,330	1,363	1,330
Accrued interest payable	164,394	157,596	164,399	157,595
Accruals and provisions for operational expenses	48,019	66,436	47,982	43,265
Other accruals and provisions	548,607	245,497	548,589	268,595
	<u>762,382</u>	<u>470,859</u>	<u>762,332</u>	<u>470,785</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**8. INTEREST INCOME**

	Group		Bank	
	Mar-06 RM'000	Mar-05 RM'000	Mar-06 RM'000	Mar-05 RM'000
Loans and advances				
- Interest income other than recoveries from NPL	229,354	199,842	229,354	199,848
- Recoveries from NPLs	19,506	20,324	19,506	20,324
Money at call and deposit placements with financial institutions	56,228	52,248	56,222	52,245
Held-For-Trading Securities	6,464	4,139	6,464	4,139
Available-For-Sale Securities	39,522	21,682	39,522	21,682
Others	4,800	3,982	4,800	3,982
	355,873	302,217	355,868	302,220
Amortisation of premium less accretion of discount	(1,411)	(15)	(1,411)	(15)
Net interest suspended	(6,933)	(1,048)	(6,933)	(1,048)
	347,529	301,154	347,523	301,157

9. INTEREST EXPENSES

	Group		Bank	
	Mar-06 RM'000	Mar-05 RM'000	Mar-06 RM'000	Mar-05 RM'000
Deposits and placements of banks and other financial institutions	44,275	20,500	44,275	20,500
Deposits from other customers	98,985	95,177	98,985	95,177
Loans sold to Cagamas	11,867	12,555	11,867	12,555
Others	48,323	40,472	48,323	40,472
	203,450	168,705	203,450	168,705

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**10. OTHER OPERATING INCOME**

	Group		Bank	
	Mar-06 RM'000	Mar-05 RM'000	Mar-06 RM'000	Mar-05 RM'000
The Group and Bank				
<u>Fee income</u>				
Commission	18,738	14,658	18,653	14,641
Guarantee Fees	4,310	3,337	4,310	3,337
Service charges and fees	21,643	18,813	21,643	18,813
Commitment fees	4,545	4,928	4,545	4,928
Arrangement and Participation fees	5,697	7,668	5,697	7,668
	<u>54,933</u>	<u>49,404</u>	<u>54,849</u>	<u>49,387</u>
<u>Investment income</u>				
Gain/(Loss) from sale of HFT Securities	7,798	19,009	7,798	19,009
Gain/(Loss) from sale of AFS Securities	34	206	34	206
Unrealised gain/(loss) of HFT Securities	12,321	13,784	12,321	13,784
Gross dividends from :				
- Investment securities in Malaysia	1	23	1	23
- Association	-	-	8,809	-
	<u>20,154</u>	<u>33,022</u>	<u>28,963</u>	<u>33,022</u>
Other income :-				
Foreign exchange gain/(loss)				
- realised	30,394	5,087	30,394	5,087
- unrealised	(18,571)	1,715	(18,571)	1,715
Rental income	135	134	135	134
Gain on disposal of property, plant and equipment	(62)	(22)	(62)	(22)
Other operating income	326	169	326	169
Other non operating income	2,066	2,120	2,066	2,120
	<u>14,287</u>	<u>9,202</u>	<u>14,287</u>	<u>9,202</u>
	<u><u>89,374</u></u>	<u><u>91,628</u></u>	<u><u>98,098</u></u>	<u><u>91,611</u></u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**11. OTHER OPERATING EXPENSES**

	Group		Bank	
	Mar-06 RM'000	Mar-05 RM'000	Mar-06 RM'000	Mar-05 RM'000
Personnel costs	38,065	37,463	37,695	37,315
Establishment costs	17,605	17,493	17,488	17,463
Marketing expenses	6,556	6,486	6,758	6,476
Administration and general expenses	14,552	15,009	14,494	15,000
	<u>76,777</u>	<u>76,451</u>	<u>76,434</u>	<u>76,254</u>
<u>Personnel costs</u>				
Salaries, allowance and bonuses	30,928	30,550	30,618	30,425
Employees Provident Fund Contributions (EPF)	4,733	4,784	4,686	4,764
Other personnel costs	2,404	2,128	2,391	2,126
	<u>38,065</u>	<u>37,463</u>	<u>37,695</u>	<u>37,315</u>
<u>Establishment costs</u>				
Depreciation	7,372	6,866	7,322	6,860
Hire of equipment	7	30	5	29
Information technology costs	1,884	3,011	1,883	3,011
Repair and maintenance	2,473	2,888	2,466	2,885
Rental of premises	1,081	636	1,054	620
Others	4,788	4,062	4,758	4,058
	<u>17,605</u>	<u>17,493</u>	<u>17,488</u>	<u>17,463</u>
<u>Marketing expenses</u>				
Advertisement and publicity	3,050	3,057	3,046	3,050
Others	3,506	3,429	3,712	3,426
	<u>6,556</u>	<u>6,486</u>	<u>6,758</u>	<u>6,476</u>
<u>Administration and general expenses</u>				
Fees and commissions paid	6,573	8,653	6,536	8,649
Other Administration and general expenses	7,979	6,357	7,958	6,351
	<u>14,552</u>	<u>15,009</u>	<u>14,494</u>	<u>15,000</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**12. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING**

	Group		Bank	
	Mar-06 RM'000	Mar-05 RM'000	Mar-06 RM'000	Mar-05 RM'000
Allowance for bad and doubtful debts on loans and financing				
(a) specific allowance (net)				
- Made in the financial period	57,773	41,010	57,771	41,010
- Written back	(16,841)	(5,189)	(16,841)	(5,185)
(b) general allowance				
- Made/(Written back) in the financial period	2,800	(6)	2,800	-
Bad debts on loans and financing				
- written off	50	(113)	49	(113)
- recovered	(9,115)	(2,356)	(9,115)	(2,356)
	<u>34,666</u>	<u>33,346</u>	<u>34,664</u>	<u>33,356</u>

13. CAPITAL ADEQUACY

	Mar-06 RM'000	Mar-05 RM'000
Group and Bank		
<u>Tier I Capital</u>		
Paid-up share capital	470,000	470,000
Share premium	322,555	322,555
Retained profit	818,744	818,744
Other reserves	476,847	474,763
Less: Revaluation Reserve : Available-For-Sale	(6,847)	(4,763)
Deferred Tax adjustments	(35,691)	(35,691)
Total Tier I Capital	<u>2,045,608</u>	<u>2,045,608</u>
<u>Tier II capital</u>		
Property revaluation reserve	25,395	25,395
General provisions for bad and doubtful debts	254,688	251,888
Total Tier II Capital	<u>280,083</u>	<u>277,283</u>
Total capital	<u>2,325,691</u>	<u>2,322,891</u>
Less: Investment in subsidiaries	(151)	(151)
Total capital base	<u>2,325,540</u>	<u>2,322,740</u>

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

Core capital ratio (incl. mkt risk)	10.64%	11.16%
Risk-weighted capital ratio (incl. mkt risk)	<u>12.09%</u>	<u>12.67%</u>
Core capital ratio (after proposed dividend)	9.76%	10.24%
Risk-weighted capital ratio (after proposed dividend)	<u>11.21%</u>	<u>11.75%</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**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	Principal Amount RM'000	Mar-06	Risk	Principal Amount RM'000	Dec-05	Risk
		Credit Equivalent Amount * RM'000	Weighted Amount RM'000		Credit Equivalent Amount * RM'000	Weighted Amount RM'000
Direct credit substitutes	1,511,959	1,511,959	1,439,805	1,495,751	1,495,751	1,431,303
Transaction-related contingent items	816,971	408,486	358,299	746,966	373,483	308,176
Short-term self-liquidating trade-related contingencies	397,719	79,544	70,466	339,396	67,879	61,712
Irrevocable commitments to extend credit						
- maturity more than one year	1,474,596	737,298	649,132	1,494,850	747,425	655,643
- maturity less than one year	12,843,545	-	-	11,951,082	-	-
Foreign exchange related contracts						
- less than one year	7,343,065	116,049	24,243	5,327,400	91,185	19,626
- one year to less than one year	589,280	62,243	12,449	604,640	59,227	11,845
Interest rates related contracts						
- less than one year	6,215,531	6,058	1,234	4,773,651	4,219	700
- one year to less than one year	14,170,649	198,943	43,722	15,465,387	169,695	38,437
- 5 years and above	544,228	81,158	16,337	568,445	91,054	18,211
Others	242,459	-	-	221,846	-	-
Total	46,150,002	3,201,738	2,615,687	42,989,414	3,099,918	2,545,653

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

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**15. INTEREST / PROFIT RATE RISK****Group**

As at 31 March 2006

	←----- 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	3,674,533	-	-	-	-	145,082	-	3,819,615	3.47%
Securities purchased under repo	1,313,688	206,723	-	-	-	-	-	1,520,411	3.17%
Deposits & Placements with CB & FI	-	1,033,382	125,851	-	-	-	-	1,159,233	3.59%
Held for Trading Securities	-	-	-	-	-	-	928,755	928,755	3.84%
Investment Securities	2,357,787	2,444,748	89,915	2,142	-	24,419	-	4,919,011	2.92%
Loans & Advances & Financing									
-performing	11,447,095	773,851	994,041	722,501	330,989	2,411,647	-	16,680,124	6.32%
-non-performing	-	-	-	-	-	921,568	-	921,568	-
Other assets	-	-	-	-	-	1,592,651	-	1,592,651	-
	18,793,103	4,458,704	1,209,807	724,643	330,989	5,095,367	928,755	31,541,368	
Liabilities									
Deposits from Customers	6,580,515	2,945,462	4,504,460	674,073	136,914	1,988,028	-	16,829,452	2.77%
Deposits & Placements of CB & FI	1,642,992	1,061,900	607,695	-	-	31,354	-	3,343,941	4.39%
Securities Sold Under Repo	3,814,132	745,278	-	-	-	-	-	4,559,410	3.19%
Bills & Acceptances Payable	7,795	25,209	8,426	-	-	2,483,148	-	2,524,578	2.30%
Amount due to Cagamas	9,238	98,322	411,203	666,584	30,581	-	-	1,215,928	3.75%
Other Liabilities	-	-	-	-	-	811,984	-	811,984	-
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	-
Reserves	-	-	-	-	-	1,786,075	-	1,786,075	-
	12,054,672	4,876,171	5,531,784	1,340,657	167,495	7,570,589	-	31,541,368	
On B/S Interest Sensitivity Gap	6,738,431	(417,467)	(4,321,977)	(616,014)	163,494	(2,475,222)	928,755	-	
Off B/S Interest Sensitivity Gap	439,879	1,935,830	(182,333)	(1,775,687)	(417,689)	-	-	-	
Total Interest Sensitivity Gap	7,178,310	1,518,363	(4,504,310)	(2,391,701)	(254,195)	(2,475,222)	928,755	-	

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006**15. INTEREST / PROFIT RATE RISK (CONTINUED)****Bank**

As at 31 March 2006

	←----- 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	3,674,533	-	-	-	-	145,082	-	3,819,615	3.47%
Securities purchased under repo	1,313,688	206,723	-	-	-	-	-	1,520,411	3.17%
Deposits & Placements with CB & FI	-	1,033,382	125,851	-	-	-	-	1,159,233	3.59%
Held for Trading Securities	-	-	-	-	-	-	928,755	928,755	3.84%
Investment Securities	2,357,787	2,444,748	89,915	2,142	-	24,419	-	4,919,011	2.92%
Loans & Advances & Financing									
-performing	11,447,095	773,851	994,041	722,501	330,989	2,411,647	-	16,680,124	6.32%
-non-performing	-	-	-	-	-	921,568	-	921,568	-
Other assets	-	-	-	-	-	1,570,290	-	1,570,290	-
	18,793,103	4,458,704	1,209,807	724,643	330,989	5,073,006	928,755	31,519,007	
Liabilities									
Deposits from Customers	6,580,515	2,945,462	4,504,460	674,073	136,914	1,988,028	-	16,829,452	2.77%
Deposits & Placements of CB & FI	1,644,278	1,061,900	607,695	-	-	31,354	-	3,345,227	4.39%
Securities Sold Under Repo	3,814,132	745,278	-	-	-	-	-	4,559,410	3.19%
Bills & Acceptances Payable	7,795	25,209	8,426	-	-	2,483,148	-	2,524,578	2.30%
Amount due to Cagamas	9,238	98,322	411,203	666,584	30,581	-	-	1,215,928	3.75%
Other Liabilities	-	-	-	-	-	811,934	-	811,934	-
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	-
Reserves	-	-	-	-	-	1,762,478	-	1,762,478	-
	12,055,958	4,876,171	5,531,784	1,340,657	167,495	7,546,942	-	31,519,007	
On B/S Interest Sensitivity Gap	6,737,145	(417,467)	(4,321,977)	(616,014)	163,494	(2,473,936)	928,755	-	
Off B/S Interest Sensitivity Gap	439,879	1,935,830	(182,333)	(1,775,687)	(417,689)	-	-	-	
Total Interest Sensitivity Gap	7,177,024	1,518,363	(4,504,310)	(2,391,701)	(254,195)	(2,473,936)	928,755	-	

Company No. 271809K

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NOTES TO INTERIM FINANCIAL STATEMENTS - 31 MARCH 2006

16. PERFORMANCE REVIEW

The Group's pre-tax profit for the 3 months period ended 31 March 2006 of RM126.1million was RM5.4million or 4.5% higher than that of the previous corresponding period of RM120.7million. The improvement in earnings was primarily due to higher net interest income of RM11.6million as a result of higher loan base in year 2006. The increase were partially offset by higher allowance for losses on loans and financing of RM1.3million as compared to previous corresponding period coupled with lower share of profit from associated companies.

17. PROSPECTS FOR 2006

The Malaysian economic growth is expected to chart a higher rate of 6%, it will be broad-based and balance, supported by expansion in all economic sectors, including the construction sector, driven by strong export and resilient domestic demand. Competition in the banking sector will continue to intensify. With our strong financial footing, our Bank is confident of meeting all challenges ahead.