

UNITED OVERSEAS BANK (MALAYSIA) BHD
UNAUDITED BALANCE SHEET AS AT 30 JUNE 2003

	<u>Group</u>		<u>Bank</u>	
	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Financial Year Ended <u>31 Dec 2002</u> RM'000	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Financial Year Ended <u>31 Dec 2002</u> RM'000
ASSETS				
Cash and short-term funds	3,601,276	3,261,908	3,593,560	3,261,908
Securities purchased under resale agreements	292,446	356,532	292,446	356,532
Deposits and placements with financial institutions	592,288	718,139	592,288	718,139
Dealing securities	2,785,417	1,213,755	2,785,417	1,213,755
Investment securities	53,122	211,767	53,122	211,767
Loans, advances and financing	14,064,105	12,997,920	14,064,105	12,997,920
Other assets	237,750	177,650	245,877	177,852
Statutory deposits with Bank Negara Malaysia	332,000	350,000	332,000	350,000
Investment in subsidiary companies	-	-	51	51
Investment in associated companies	122,340	123,229	122,733	122,686
Fixed assets	270,591	262,144	270,591	262,144
Deferred tax asset	59,897	59,897	59,897	59,897
Total assets	<u>22,411,232</u>	<u>19,732,941</u>	<u>22,412,087</u>	<u>19,732,651</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits from customers	12,677,606	11,982,882	12,677,888	11,983,163
Deposits and placements of banks and other financial institutions	3,544,846	2,238,926	3,544,846	2,238,926
Obligations on securities sold under repurchase agreements	1,071,358	952,021	1,071,358	952,021
Bills and acceptances payable	1,986,520	1,671,881	1,986,520	1,671,881
Recourse obligation on loans sold to Cagamas	1,041,780	901,794	1,041,780	901,794
Other liabilities	409,944	288,073	410,137	288,058
Taxation	79,994	74,074	79,994	74,066
Deferred taxation	21,937	21,937	21,937	21,937
Total Liabilities	<u>20,833,985</u>	<u>18,131,588</u>	<u>20,834,460</u>	<u>18,131,846</u>
Financed by :				
Share Capital	470,000	470,000	470,000	470,000
Reserves	1,107,247	1,131,353	1,107,627	1,130,805
Shareholders' Equity	<u>1,577,247</u>	<u>1,601,353</u>	<u>1,577,627</u>	<u>1,600,805</u>
Total Liabilities and Shareholders' Equity	<u>22,411,232</u>	<u>19,732,941</u>	<u>22,412,087</u>	<u>19,732,651</u>
COMMITMENTS AND CONTINGENCIES				
	<u>23,289,362</u>	<u>20,980,800</u>	<u>23,289,362</u>	<u>20,980,800</u>
CAPITAL ADEQUACY				
Core capital ratio	10.2%	12.3%	10.2%	12.3%
Risk-weighted capital ratio	12.3%	14.6%	12.3%	14.6%

UNITED OVERSEAS BANK (MALAYSIA) BHD
UNAUDITED INCOME STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2003

	<u>Group</u>		<u>Bank</u>	
	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Year Corresponding Half Year Ended <u>30 June 2002</u> RM'000	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Year Corresponding Half Year Ended <u>30 June 2002</u> RM'000
Interest income	502,535	436,023	502,530	436,001
Interest expenses	(258,058)	(217,358)	(258,058)	(217,358)
Net interest income	244,477	218,665	244,472	218,643
Non-interest income	128,077	93,015	128,077	93,015
Operating Income	372,554	311,680	372,549	311,658
Staff Cost and Overheads	(119,968)	(142,011)	(119,968)	(142,006)
Profit Before Provision	252,586	169,669	252,581	169,652
Loan <i>(and Financing)</i> Loss and Provision	(48,941)	(19,969)	(48,936)	(19,996)
Provision for Commitments and Contingencies	70	(2)	70	(2)
	203,715	149,698	203,715	149,654
Amortisation of goodwill	(920)	-	-	-
Share in the results of associated companies	1,318	705	-	-
Profit Before Taxation	204,113	150,403	203,715	149,654
Taxation				
- Bank and subsidiary companies	(52,519)	(42,135)	(52,519)	(42,135)
- associated companies	2	(221)	-	-
Profit attributable to shareholders	<u>151,596</u>	<u>108,047</u>	<u>151,196</u>	<u>107,519</u>
Earnings Per Share (sen)	<u>32.3</u>	<u>23.0</u>	<u>32.2</u>	<u>22.9</u>

NOTES TO FINANCIAL STATEMENTS FOR HALF YEAR ENDED 30 JUNE 2004

1. Accounting Policies

The accounting policies and methods of computation applied for the half-yearly financial statements are consistent with those applied for the annual financial statement. There have been no significant changes to these policies.

2. Exceptional Items

There were no exceptional items reported for the financial period under review.

3. Extraordinary Items

There were no extraordinary items reported for the financial period under review.

4. Taxation

There was an over-provision of taxation for YA 1995 and YA1996 amounting to RM2.29 mil and RM2.24 mil respectively.

5. Pre-acquisition profits

There were no pre-acquisition profits reported for the financial period under review.

6. Profit on sale of investments and properties

Other than in the ordinary course of business, profits on sale of investments amounted to RM3.8 mil but there was no profits on sale of properties for the period under review.

7. Purchase and sale of quoted securities

There were no purchase or sale of quoted securities for the financial period under review other than those purchases or sold in the ordinary course of business.

8. Changes in composition of the group

There were no changes in the composition of the Group during the financial period under review.

9. Corporate proposals

There were no corporate proposals announced or undertaken by the Bank during the financial period under review.

10. Seasonality and cyclicity of operations.

The operations of the Group were not subject to material seasonal or cyclical effects.

11. Equity Structure

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

12. Deposits and Placement of Financial Institutions and Debt Securities

Items	<u>Group</u>		<u>Bank</u>	
	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Financial Year Ended <u>31 Dec 2002</u> RM'000	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Financial Year Ended <u>31 Dec 2002</u> RM'000
Deposits from customers				
- Fixed deposits and negotiable instruments of deposits				
One year or less (short-term)	9,996,747	9,406,003	9,996,747	9,406,003
More than one year (medium/long term)	209,767	223,363	209,767	223,363
	<hr/> 10,206,514	<hr/> 9,629,366	<hr/> 10,206,514	<hr/> 9,629,366
Deposits and Placement of Banks and Other Financial Institutions				
One year or less (short-term)	3,490,498	2,189,038	3,490,498	2,189,038
More than one year (medium/long term)	54,348	49,888	54,348	49,888
	<hr/> 3,544,846	<hr/> 2,238,926	<hr/> 3,544,846	<hr/> 2,238,926

13. Commitments and Contingencies

In the normal course of business, the Group and 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.

Risk Weighted Exposures of the Group and Bank as at

	Current Financial Half Year Ended 30 June 2003		Preceding Financial Year Ended 31 December 2002	
	Principal Amount	Credit Equivalent Amount *	Principal Amount	Credit Equivalent Amount *
	RM'mil	RM'mil	RM'mil	RM'mil
Direct credit substitutes	706.6	706.6	659.1	659.1
Transaction-related contingent items	818.1	409.1	789.5	394.8
Short-term self-liquidating trade related contingencies	314.7	62.9	369.9	74.0
Irrevocable commitments to extend credit				
- maturity more than one year	1,163.0	581.5	1,063.0	531.5
- maturity less than one year	10,332.5	-	9,614.9	-
Foreign exchange related contracts	3,789.3	379.3	2,820.5	36.1
Interest rates related contracts	5,925.7	121.4	5,475.9	45.8
Miscellaneous	239.4	-	188.0	-
Total	23,289.3	2,260.8	20,980.8	1,741.3

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

14. Off-Balance Sheet Financial Instruments

Value of contracts classified by remaining period to maturity/next repricing date (whichever earlier).

Group and Bank

Items	Principal Amount RM'mil	1 mth or less RM'mil	> 1 - 3 mths RM'mil	> 3 - 6 mths RM'mil	> 6 - 12 mths RM'mil	> 1 - 5 yrs RM'mil	> 5 yrs RM'mil	Margin requirement
Foreign exchange related contracts								
- forwards	489.5	280.5	124.6	82.7	1.7	-	-	-
- swaps	3,299.8	1,134.3	971.0	1,194.5	-	-	-	-
- options	-	-	-	-	-	-	-	-
Interest rate related contracts								
- forwards	-	-	-	-	-	-	-	-
- futures (Klibor)	3,289.0	-	834.0	95.0	408.0	1,952.0	-	0.510
- futures (Bond)	112.7	-	30.2	57.5	25.0	-	-	0.680
- swaps	2,524.0	50.0	90.0	281.0	50.0	1,950.0	103.0	-
- options	-	-	-	-	-	-	-	-
Equity and commodity related contracts								
- equity futures	-	-	-	-	-	-	-	-
- commodity	-	-	-	-	-	-	-	-
- futures	-	-	-	-	-	-	-	-
- equity options	-	-	-	-	-	-	-	-
Total	9,715.0	1,464.8	2,049.8	1,710.7	484.7	3,902.0	103.0	1.190

Foreign exchange, interest rate and equity and commodity related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of 30 June 2003, the amount of foreign exchange contracts which were not hedged and hence, exposed to market risk was RM17,254,752 (FYE 2002 : RM2,478,971).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of 30 June 2003, the amounts of credit risk, measured in term of the cost to replace the profitable foreign exchange contracts, was RM6,029,963 (FYE 2002 : RM4,303,555). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are same as those applied for the annual financial statement.

15. **Material Litigation**

At the date of this report there were no pending material litigation.

16 a) **Segmental Reporting on Revenue, Profit and Assets**

Group

	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Year Corresponding Half Year Ended <u>30 June 2002</u> RM'000
<u>Commercial Bank</u>		
Turnover	630,607	529,016
Profit Before Tax	203,715	149,654
Total Assets	22,412,087	19,897,688
<u>Others</u>		
Turnover	5	22
Profit Before Tax	-	749
Total Assets	577	4,581
<u>Consolidation adjustments</u>		
Turnover	-	-
Profit Before Tax	398	-
Total Assets	(1,432)	(491)
<u>Grand Total</u>		
Turnover	630,612	529,038
Profit Before Tax	204,113	150,403
Total Assets	22,411,232	19,901,778

16 b) Segmental Reporting on Loans, Advances and Financing Analysed By Their Economic Purposes

	<u>Group</u>		<u>Bank</u>	
	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Financial Year Ended <u>31 Dec 2002</u> RM'000	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Financial Year Ended <u>31 Dec 2002</u> RM'000
Agriculture	117,507	107,160	117,507	107,160
Mining and quarrying	31,231	30,961	31,231	30,961
Manufacturing	3,164,216	2,927,389	3,163,441	2,926,584
Electricity, gas and water	18,098	13,228	18,098	13,228
Construction	853,485	749,066	853,485	749,066
Real estate	585,388	601,746	585,388	601,746
Purchase of landed property :				
(i) Residential	3,387,406	2,994,095	3,387,406	2,994,095
(ii) Non-residential	599,053	614,867	599,053	614,867
General commerce	2,363,594	2,272,846	2,363,594	2,272,846
Transport, storage and communication	143,589	121,662	143,554	121,653
Finance, insurance and business services	586,635	604,196	586,635	604,196
Purchase of securities	808,740	904,303	808,740	904,303
Purchase of transport vehicles	13,660	14,968	13,660	14,968
Consumption credit	1,163,146	1,127,730	1,163,145	1,127,730
Others	1,347,471	954,499	1,347,467	954,499
Total	15,183,219	14,038,716	15,182,404	14,037,902

16 c) Non-Performing Loans

	<u>Group</u>		<u>Bank</u>	
	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Financial Year Ended <u>31 Dec 2002</u> RM'000	Current Financial Half Year Ended <u>30 June 2003</u> RM'000	Preceding Financial Year Ended <u>31 Dec 2002</u> RM'000
Balance as at beginning of financial half year/year ended	1,635,755	623,640	1,634,942	623,640
Transfer from OUBM Bhd	-	1,030,964	-	1,030,096
Non-performing during the period	373,067	643,944	373,065	643,895
Recoveries	(125,987)	(306,093)	(125,987)	(305,989)
Reclassified to performing	(90,135)	(283,917)	(90,135)	(283,917)
Amount written-off	(12,916)	(72,783)	(12,916)	(72,783)
Balances as at end of financial half year/year ended	<u>1,779,784</u>	<u>1,635,755</u>	<u>1,778,969</u>	<u>1,634,942</u>
Total net non-performing loans as at end of financial half year/year ended (as % of total loans)	912,595 6.4%	846,880 6.4%	912,558 6.4%	846,848 6.4%

16 d) Loan Loss Provision

Movements in the provision for bad and doubtful debts (*and financing*) and interest-in-suspense (*income-in-suspense*) accounts are as follows :

	Current		Preceding	
	Financial Half Year Ended <u>30 June 2003</u> RM'000	Financial Year Ended <u>31 Dec 2002</u> RM'000	Financial Half Year Ended <u>30 June 2003</u> RM'000	Financial Year Ended <u>31 Dec 2002</u> RM'000
<u>General provision</u>				
Balance as at beginning of financial half year/year ended	251,921	150,738	251,888	150,738
Transfer from OUBM Bhd	-	101,255	-	101,150
Provision made during the period	3	-	-	-
Amount write back	-	(72)	-	-
Balances as at end of financial half year/year ended	<u>251,924</u>	<u>251,921</u>	<u>251,888</u>	<u>251,888</u>
<u>Specific provision</u>				
Balance as at beginning of financial half year/year ended	528,049	160,828	527,329	160,828
Transfer from OUBM Bhd	-	377,105	-	376,401
Provision made during the period	74,410	101,581	74,409	101,563
Amount written back in respect of recoveries	(17,206)	(50,314)	(17,206)	(50,312)
Amount written-off	(13,506)	(45,598)	(13,506)	(45,598)
Transfer to provision for diminution in value of investment securities	(406)	(15,553)	(406)	(15,553)
Balances as at end of financial half year/year ended	<u>571,341</u>	<u>528,049</u>	<u>570,620</u>	<u>527,329</u>

16d) Loan Loss Provision (continued)

	<u>Group</u>		<u>Ba</u>
	Current	Preceding	Current
	Financial Half	Financial	Financial Half
	Year Ended	Year Ended	Year Ended
	<u>30 June 2003</u>	<u>31 Dec 2002</u>	<u>30 June 2003</u>
<u>Interest-in-suspense</u>			
Balance as at beginning of financial half year/year ended	260,826	100,666	260,765
Transfer from OUBM Bhd	-	111,216	-
Interest suspended during the period	75,851	150,207	75,851
Amount written back in respect of recoveries	(35,649)	(69,726)	(35,645)
Amount written-off	(4,743)	(27,094)	(4,743)
Transfer to provision for diminution in value of investment securities	(437)	(4,443)	(437)
Balances as at end of financial half year/year ended	<u>295,848</u>	<u>260,826</u>	<u>295,791</u>

17. Review of Group Performance and comparison with the preceding corresponding half year results

The Group registered a higher profit before tax for the half year ended 30 June 2003 compared to the preceding corresponding half year of 30 June 2002 due to higher net interest income and non interest income coupled with lower staff and overhead costs. This was offset by higher loans loss provisions. The increase in the share of profit from associated companies also contributed to the better performance of the Group.

18. Prospects of the Current Financial Year

Barring unforeseen circumstances, the Group anticipates to maintain its satisfactory performance for the financial year ending 31 December 2003.

19. Dividend

The Directors propose an interim dividend of 40.0% (gross), amounting to RM135.36 million (net of 28% tax) for the half year ended 30 June 2003.

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Preceding
Financial
Year Ended
31 Dec 2002

100,666

111,150

150,207

(69,721)

(27,094)

(4,443)

260,765