

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	Note	Group		Bank	
		30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
ASSETS					
Cash and short-term funds	11	2,148,391	3,924,715	2,148,391	3,924,715
Deposits and placements with financial institutions	12	-	800,000	-	800,000
Securities purchased under resale agreements		2,476,336	4,603,059	2,476,336	4,603,059
Financial assets at fair value through profit or loss ("FVTPL")	13	6,673,329	1,811,633	6,673,329	1,811,633
Debt instruments at fair value through other comprehensive income ("FVOCI")	14	19,681,110	15,852,301	19,681,110	15,852,301
Equity instruments at fair value through other comprehensive income ("FVOCI")	15	133,235	114,445	133,235	114,445
Debt Instruments at amortised cost	16	155,856	228,315	155,856	228,315
Loans, advances and financing	17	83,303,767	81,913,278	83,414,583	82,034,675
Derivative financial assets	18	403,501	376,496	403,501	376,496
Other assets	19	664,809	651,888	669,949	652,099
Statutory deposits with Bank Negara Malaysia		1,984,660	2,016,869	1,984,660	2,016,869
Investment in subsidiaries		-	-	235,020	185,020
Investment in an associate		10,262	10,087	13,522	13,522
Property, plant and equipment		724,639	699,459	269,090	266,727
Right-of-use assets		23,421	-	68,492	-
Deferred tax assets		46,775	102,838	46,774	102,838
TOTAL ASSETS		118,430,091	113,105,383	118,373,848	112,982,714
LIABILITIES					
Deposits from customers	20	91,013,150	88,733,098	91,060,410	88,755,027
Deposits and placements of banks and other financial institutions	21	11,573,146	9,214,438	11,573,166	9,214,458
Obligations on securities sold under repurchase agreements		506,871	-	506,871	-
Bills and acceptances payable		316,948	414,255	316,948	414,255
Derivative financial liabilities	18	314,832	399,947	314,832	399,947
Other liabilities	22	2,384,848	2,548,407	2,386,802	2,546,618
Lease liabilities		21,720	-	59,845	-
Tax payable		49,526	62,140	49,174	60,908
Subordinated bonds	23	1,614,791	1,602,082	1,614,791	1,602,082
Deferred tax liabilities		20,559	20,559	-	-
TOTAL LIABILITIES		107,816,391	102,994,926	107,882,839	102,993,295

Company No. 271809K

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CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)

AS AT 30 SEPTEMBER 2019

	Group		Bank	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
Notes	RM'000	RM'000	RM'000	RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Share capital	792,555	792,555	792,555	792,555
Reserves	9,821,145	9,317,902	9,698,454	9,196,864
TOTAL EQUITY	10,613,700	10,110,457	10,491,009	9,989,419
TOTAL LIABILITIES AND EQUITY	118,430,091	113,105,383	118,373,848	112,982,714
COMMITMENTS AND CONTINGENCIES				
33	102,697,898	101,959,153	102,336,861	101,588,370

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

Group	Note	Third Quarter Ended		Nine Months Ended	
		30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Operating revenue	25	1,603,792	1,550,785	4,688,551	4,450,969
Interest income	26	1,283,461	1,314,709	3,822,249	3,737,017
Interest expense	27	(761,516)	(786,999)	(2,292,087)	(2,201,787)
Net interest income		521,945	527,710	1,530,162	1,535,230
Net income from Islamic					
Banking operations	36	8,855	11,954	27,450	30,184
Other operating income	28	255,856	204,060	695,671	644,739
Operating income		786,656	743,724	2,253,283	2,210,153
Other operating expenses	29	(308,374)	(289,924)	(907,312)	(841,258)
Operating profit before allowance for expected credit losses		478,282	453,800	1,345,971	1,368,895
(Allowance for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(72,783)	(41,048)	(164,789)	(107,495)
Other financial assets	30	2,090	5,143	(13,302)	5,317
Commitments and contingencies	30	(2,224)	(965)	30,370	(10,080)
		405,365	416,930	1,198,250	1,256,637
Share of net profit of an associate		57	59	176	171
Profit before taxation		405,422	416,989	1,198,426	1,256,808
Income tax expense		(92,458)	(92,149)	(286,910)	(297,593)
Profit for the period attributable to equity holders of the Bank		312,964	324,840	911,516	959,215
Basic/diluted earnings per share (sen)		66.6	69.1	193.9	204.1

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS (cont'd.)****FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

Bank	Note	Third Quarter Ended		Nine Months Ended	
		30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Operating revenue	25	1,605,109	1,552,289	4,692,750	4,455,134
Interest income	26	1,284,709	1,316,088	3,826,254	3,740,975
Interest expense	27	(762,220)	(787,154)	(2,294,016)	(2,201,977)
Net interest income		522,489	528,934	1,532,238	1,538,998
Net income from Islamic					
Banking operations	36	8,855	11,954	27,450	30,184
Other operating income	28	255,926	204,185	695,866	644,946
Operating income		787,270	745,073	2,255,554	2,214,128
Other operating expenses	29	(309,660)	(291,635)	(911,521)	(847,226)
Operating profit before allowance for expected credit losses		477,610	453,438	1,344,033	1,366,902
(Allowance for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(72,760)	(41,041)	(164,838)	(107,744)
Other financial assets	30	2,087	5,142	(13,305)	5,316
Commitments and contingencies	30	(2,224)	(965)	30,370	(10,080)
Profit before taxation		404,713	416,574	1,196,260	1,254,394
Income tax expense		(92,848)	(91,914)	(286,397)	(296,603)
Profit for the period attributable to equity holders of the Bank		311,865	324,660	909,863	957,791
Basic/diluted earnings per share (sen)		66.4	69.1	193.6	203.8

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

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

Group	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Profit for the period	312,964	324,840	911,516	959,215
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	12,310	40,244	95,175	21,942
Income tax effect	(2,930)	(9,658)	(22,818)	(5,266)
	9,380	30,586	72,357	16,676
<u>Items that will not be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	(99)	1,350	18,790	(25,805)
Income tax effect	24	(324)	(4,510)	6,193
	(75)	1,026	14,280	(19,612)
Total other comprehensive income for the period, net of tax	9,305	31,612	86,637	(2,936)
Total comprehensive income for the period attributable to equity holders	322,269	356,452	998,153	956,279

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

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Third Quarter		Nine Months	
	Ended	Ended	Ended	Ended
Bank	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Profit for the period	311,865	324,660	909,863	957,791
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	12,310	40,244	95,175	21,942
Income tax effect	(2,930)	(9,658)	(22,818)	(5,266)
	9,380	30,586	72,357	16,676
<u>Items that will not be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	(99)	1,350	18,790	(25,805)
Income tax effect	24	(324)	(4,510)	6,193
	(75)	1,026	14,280	(19,612)
Total other comprehensive income for the period, net of tax	9,305	31,612	86,637	(2,936)
Total comprehensive income for the period attributable to equity holders	321,170	356,272	996,500	954,855

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

GROUP

	← Non-distributable		→ Distributable		Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Balance as at 1 January 2019	792,555	190,019	92,712	9,035,171	10,110,457
Profit for the period	-	-	-	911,516	911,516
Other comprehensive income for the period	-	-	86,637	-	86,637
Total comprehensive income for the period	-	-	86,637	911,516	998,153
Dividends paid:					
final dividend for the financial year ended 31 December 2018				(494,910)	(494,910)
Balance as at 30 September 2019	792,555	190,019	179,349	9,451,777	10,613,700

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

GROUP (cont'd.)	← Non-distributable			→ Distributable		Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Net unrealised reserves on AFS securities	Retained profits	
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018						
As previously stated	792,555	146,736	-	101,037	8,261,176	9,301,504
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	101,037	(101,037)	-	-
Balance as at 1 January 2018, as restated	792,555	146,736	101,037	-	8,261,176	9,301,504
Profit for the period	-	-	-	-	959,215	959,215
Other comprehensive income for the period	-	-	(2,936)	-	-	(2,936)
Total comprehensive income for the period	-	-	(2,936)	-	959,215	956,279
Transactions with owners:						
Dividends paid:						
- final dividend for the financial year ended 31 December 2017					(461,540)	(461,540)
Balance as at 30 September 2018	792,555	146,736	98,101	-	8,758,851	9,796,243

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

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

BANK	← Non-distributable →		Distributable	
	Share capital	Fair value through other comprehensive income reserve	Retained profits	Total
2019	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	792,555	85,810	9,111,054	9,989,419
Profit for the period	-	-	909,863	909,863
Other comprehensive income for the period	-	86,637	-	86,637
Total comprehensive income for the period	-	86,637	909,863	996,500
Dividends paid:				
final dividend for the financial year ended 31 December 2018	-	-	(494,910)	(494,910)
Balance as at 30 September 2019	<u>792,555</u>	<u>172,447</u>	<u>9,526,007</u>	<u>10,491,009</u>

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

BANK (cont'd.)	← Non-distributable		→ Distributable		Total
	Share capital	Fair value through other comprehensive income reserve	Net unrealised reserves on AFS securities	Retained profits	
2018	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018					
As previously stated	792,555	-	94,135	8,335,026	9,221,716
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	94,135	(94,135)	-	-
Balance as at 1 January 2018, as restated	792,555	94,135	-	8,335,026	9,221,716
Profit for the period	-	-	-	957,791	957,791
Other comprehensive income for the period	-	(2,936)	-	-	(2,936)
Total comprehensive income for the period	-	(2,936)	-	957,791	954,855
Transactions with owners:					
- final dividend for the financial year ended 31 December 2017				(461,540)	(461,540)
Balance as at 30 September 2018	792,555	91,199	-	8,831,277	9,715,031

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

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Group		Bank	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Profit before taxation	1,198,426	1,256,808	1,196,260	1,254,394
Adjustments for non-operating and non-cash items	(462,504)	(275,985)	(417,303)	(370,076)
Operating profit before working capital changes	735,922	980,823	778,957	884,318
Changes in working capital:				
Net changes in operating assets	(4,311,610)	(8,823,328)	(4,404,586)	(8,743,107)
Net changes in operating liabilities	4,975,626	10,709,131	5,042,827	10,725,680
Tax expense paid	(270,788)	(301,663)	(269,395)	(300,992)
Net cash generated from operating activities	1,129,150	2,564,963	1,147,803	2,565,899
Net cash (used in) investing activities	(3,223,273)	(4,829,601)	(3,241,926)	(4,830,538)
Net cash (used in) financing activities	(482,201)	(363,194)	(482,201)	(363,193)
Net (decrease) in cash and cash equivalents	(2,576,324)	(2,627,832)	(2,576,324)	(2,627,832)
Cash and cash equivalents at beginning of the period	4,724,715	8,588,916	4,724,715	8,588,916
Cash and cash equivalents at end of the period	2,148,391	5,961,084	2,148,391	5,961,084
Analysis of cash and cash equivalents				
Cash and short-term funds	2,148,391	5,811,084	2,148,391	5,811,084
Deposits and placements with financial institutions	-	150,000	-	150,000
	2,148,391	5,961,084	2,148,391	5,961,084

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

EXPLANATORY NOTES

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB").

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

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

MFRS 16 Leases

Amendments to MFRS 9 Prepayment Features with Negative Compensation

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

Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement

Annual Improvements to MFRS Standards 2015-2017 Cycle

IC Interpretation 23 Uncertainty over Income Tax Treatments

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

MFRS 16

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

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

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EXPLANATORY NOTES

1. BASIS OF PREPARATION (cont'd.)

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3 Definition of a Business

Amendments to MFRS 101 Definition of Material

Amendments to MFRS 108 Definition of Material

Effective for financial periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective for financial periods to be determined by the MASB

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

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

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and of the Bank for the financial period ended 30 September 2019.

5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Group and of the Bank for the financial period ended 30 September 2019.

6. DEBT AND EQUITY SECURITIES

There were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Group and the Bank during the financial period ended 30 September 2019.

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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EXPLANATORY NOTES

8. DIVIDENDS

A final single-tier dividend of 105.3 sen in respect of the financial year ended 31 December 2018 amounting to RM 494,910,000 was paid in May 2019.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

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

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period ended 30 September 2019.

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UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
Cash and balances with banks and other financial institutions	504,402	476,049
Money at call and deposit placements maturing within one month	1,672,662	3,475,787
	2,177,064	3,951,836
Less: Allowance for ECL	(28,673)	(27,121)
	2,148,391	3,924,715

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
Licensed banks	-	800,000

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

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	2,088,149	967,779
Malaysian Government treasury bills	625,947	123,525
Malaysian Government securities	2,299,420	360,554
Cagamas Bonds	180,012	159,735
Negotiable instruments of deposits	1,479,801	200,040
	6,673,329	1,811,633

UNITED OVERSEAS BANK (MALAYSIA) BHD

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

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	298,808	149,899
Malaysian Government securities	11,539,810	7,668,583
Negotiable instruments of deposits	5,271,499	5,812,558
Cagamas bonds	1,630,607	1,613,027
Less: Allowance for ECL	(6,354)	(10,661)
	<u>18,734,370</u>	<u>15,233,406</u>
Private debt securities of companies incorporated		
In Malaysia		
Quoted corporate bonds	988,892	652,212
Less: Allowance for ECL	(42,428)	(33,593)
	<u>946,464</u>	<u>618,619</u>
Unquoted securities		
Private debt securities	276	276
	<u>276</u>	<u>276</u>
Total debt instruments at FVOCI	<u>19,681,110</u>	<u>15,852,301</u>

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

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
Quoted securities		
Shares of corporations in Malaysia	1,923	1,956
Unquoted securities		
Shares of corporations in Malaysia	131,312	112,489
	<u>133,235</u>	<u>114,445</u>

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

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
Private debt securities of companies incorporated		
In Malaysia		
Unquoted corporate bonds	172,500	236,875
Less: Allowance for ECL	(16,644)	(8,560)
	<u>155,856</u>	<u>228,315</u>

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

	Group		Bank	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Overdrafts	3,209,300	3,296,981	3,209,300	3,296,981
Term loans/financing and revolving credits				
- Housing loans/financing	31,228,261	31,082,702	31,228,261	31,082,702
- Syndicated term loans/financing	683,168	618,983	683,168	618,983
- Other term loans/financing	37,616,067	36,414,587	37,728,206	36,537,257
Credit card receivables	2,777,553	2,775,736	2,777,553	2,775,736
Bills receivables	851,610	930,165	851,610	930,165
Trust receipts	2,867,144	2,575,485	2,867,144	2,575,485
Claims on customers under acceptance credits	5,699,581	5,717,466	5,699,581	5,717,466
Staff loans	37,622	37,183	37,622	37,183
Others	20,768	10,247	20,767	10,247
	84,991,074	83,459,535	85,103,212	83,582,205
Unearned interest/income	(207,192)	(174,019)	(207,192)	(174,019)
Gross loans, advances and financing	84,783,882	83,285,516	84,896,020	83,408,186
Allowances for impairment on loans advances and financing				
-Stage 1- 12 month ECL	(859,879)	(797,395)	(861,201)	(798,668)
-Stage 2- Lifetime ECL non credit-impaired	(359,957)	(362,169)	(359,957)	(362,169)
-Stage 3- Lifetime ECL credit-impaired	(260,279)	(212,674)	(260,279)	(212,674)
Net loans, advances and financing	83,303,767	81,913,278	83,414,583	82,034,675

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

	Group		Bank	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	23,921,675	24,325,312	23,921,675	24,325,312
One year to three years	4,871,984	4,730,492	4,984,122	4,853,162
Three years to five years	5,798,303	4,961,830	5,798,303	4,961,830
Over five years	50,191,920	49,267,882	50,191,920	49,267,882
	84,783,882	83,285,516	84,896,020	83,408,186

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

	Group		Bank	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Domestic non-banking financial institutions				
- Stockbroking companies	27,843	10,373	27,843	10,373
- Others	844,335	757,929	844,335	757,929
Domestic business enterprises				
- Small medium enterprises	18,064,120	17,687,565	18,064,120	17,687,565
- Others	17,167,781	16,601,228	17,279,919	16,723,898
Individuals	42,091,928	41,191,581	42,091,928	41,191,581
Foreign entities	6,587,875	7,036,840	6,587,875	7,036,840
	84,783,882	83,285,516	84,896,020	83,408,186

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

	Group		Bank	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	36,777	36,387	36,777	36,387
- Other fixed rate loans /financing	10,179,269	9,616,001	10,179,269	9,616,001
Variable rate				
- Base rate/base lending /financing rate-plus	54,122,347	53,589,211	54,122,347	53,589,211
- Cost-plus	20,045,704	19,493,298	20,157,842	19,615,968
- Other variable rates	399,785	550,619	399,785	550,619
	84,783,882	83,285,516	84,896,020	83,408,186

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

	Group		Bank	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,542,530	1,550,623	1,542,530	1,550,623
Mining and quarrying	828,626	827,392	828,626	827,392
Manufacturing	7,045,774	7,032,638	7,045,774	7,032,638
Electricity, gas and water	203,084	241,989	203,084	241,989
Construction	7,307,980	7,061,239	7,307,980	7,061,239
Wholesale, retail trade, restaurants and hotels	11,072,382	11,103,719	11,072,382	11,103,719
Transport, storage and communication	1,916,080	1,396,309	1,916,080	1,396,309
Finance, insurance and business services	3,589,371	3,317,014	3,589,371	3,317,014
Real estate	3,759,307	4,067,240	3,871,445	4,189,910
Community, social and personal services	186,156	162,448	186,156	162,448
Households				
- purchase of residential properties	32,846,328	31,851,983	32,846,328	31,851,983
- purchase of non residential properties	8,865,816	9,046,495	8,865,816	9,046,495
- others	5,620,448	5,626,427	5,620,448	5,626,427
	84,783,882	83,285,516	84,896,020	83,408,186

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

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
As at 1 January	1,433,152	1,350,419
Classified as impaired during the financial period/year	596,048	1,001,207
Amount recovered	(201,364)	(370,124)
Reclassified as non-impaired	(175,553)	(312,772)
Amount written off	(109,062)	(235,578)
As at 30 September/31 December	<u>1,543,221</u>	<u>1,433,152</u>
Less: Stage 3-Lifetime ECL credit-impaired	(260,279)	(212,674)
Net impaired loans, advances and financing	<u>1,282,942</u>	<u>1,220,478</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less allowance for ECL on credit-impaired provisions	<u>1.5%</u>	<u>1.5%</u>

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

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,175	661
Mining and quarrying	1,128	-
Manufacturing	185,086	136,935
Construction	214,003	204,187
Wholesale, retail trade, restaurants and hotels	168,171	173,862
Transport, storage and communication	79,916	70,630
Finance, insurance and business services	16,416	23,531
Real estate	208,201	209,088
Community, social and personal services	292	541
Households		
- purchase of residential properties	485,247	444,979
- purchase of non-residential properties	86,815	79,010
- others	96,771	89,728
	<u>1,543,221</u>	<u>1,433,152</u>

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

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
In Malaysia	<u>1,543,221</u>	<u>1,433,152</u>

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

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

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 September 2019			
Foreign exchange contracts			
- forwards	7,572,298	63,631	18,537
- swaps	15,055,961	68,097	85,963
- options	1,269,565	12,689	5,153
Interest rate related contracts			
- swaps	26,343,683	223,362	179,120
- futures	711,819	-	1,185
- options	180,000	3,695	671
Equity related contracts			
- swaps	17,190	3,469	3,469
- options	630,687	11,388	11,444
Commodity related contracts			
- swaps	474,837	16,099	3,436
- futures	204,164	610	5,854
- options	171,374	461	-
		403,501	314,832

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

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

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

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EXPLANATORY NOTES**19. OTHER ASSETS**

	Group		Bank	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Other receivables, deposits and prepayments	215,364	259,866	220,359	259,939
Accrued interest/income receivable	230,486	205,603	230,486	205,603
Amount due from subsidiaries	-	-	145	138
Amount due from ultimate holding company	16,933	15,869	16,933	15,869
Precious metal accounts	203,853	173,229	203,853	173,229
Less: Allowance for ECL	(1,827)	(2,679)	(1,827)	(2,679)
	664,809	651,888	669,949	652,099

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Demand deposits	21,148,538	21,027,840	21,195,798	21,049,769
Savings deposits	3,876,334	3,654,396	3,876,334	3,654,396
Fixed deposits	63,898,196	60,717,079	63,898,196	60,717,079
Others	2,090,082	3,333,783	2,090,082	3,333,783
	91,013,150	88,733,098	91,060,410	88,755,027

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

	Group		Bank	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Due within six months	41,882,090	36,398,052	41,882,090	36,398,052
Six months to one year	21,700,050	24,058,409	21,700,050	24,058,409
One year to three years	143,756	96,889	143,756	96,889
Three years to five years	172,300	163,729	172,300	163,729
	63,898,196	60,717,079	63,898,196	60,717,079

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

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

	Group		Bank	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Business enterprises				
- Subsidiaries	-	-	47,260	21,929
- Related companies	1,206	1,054	1,206	1,054
- Others	36,237,850	34,113,169	36,237,850	34,113,169
Individuals	49,870,914	48,188,124	49,870,914	48,188,124
Others	4,903,180	6,430,751	4,903,180	6,430,751
	91,013,150	88,733,098	91,060,410	88,755,027

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Licensed banks in Malaysia	2,936,776	1,848,770	2,936,776	1,848,770
Bank Negara Malaysia	664,724	864,808	664,724	864,808
Other financial institutions	7,971,646	6,500,860	7,971,666	6,500,880
	11,573,146	9,214,438	11,573,166	9,214,458

22. OTHER LIABILITIES

	Group		Bank	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Allowance for ECL on commitments and contingencies	118,149	148,529	118,149	148,529
Accrued interest payable	580,711	603,659	580,711	603,659
Accruals and provisions for operational expenses	123,940	198,426	122,358	196,863
Other payables and accruals	1,426,663	1,435,180	1,430,199	1,434,954
Deferred income	135,385	162,613	135,385	162,613
	2,384,848	2,548,407	2,386,802	2,546,618

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EXPLANATORY NOTES**23. SUBORDINATED BONDS**

	Group and Bank	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
<i>At amortised cost</i>		
RM1 billion subordinated bond 2015/2025, at par (Note (a))	1,003,032	1,001,690
RM600 million subordinated bond 2018/2028, at par (Note (b))	611,759	600,392
	1,614,791	1,602,082
Accumulated fair value hedge loss (Note (c))	(14,791)	(2,082)

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

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

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

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

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

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

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

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

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

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

- (c) Fair value hedge

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

As at 30 September 2019, the Bank had an interest rate swap agreement in place with notional amount of RM500 million (31 December 2018: RM500 million) for Bond 1 and RM600 million (31 December 2017: RM600 million) for Bond 2.

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

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

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

The movements in fair value of the interest rate swap of RM12,709,000 loss (31 December 2018: RM620,000 gain) are recognised in trading and investment income during the period. There is no ineffectiveness recognised for this hedge.

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EXPLANATORY NOTES**24 Movements in allowance for ECL****(a) Other financial assets:****Cash and short-term funds, Debt instruments at FVOCI,
Debt instruments at AC and Other assets**

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL non credit- impaired	Lifetime ECL credit-impaired	
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	42,080	574	39,960	82,614
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	29,264	(49,343)	-	(20,079)
Transferred to Stage 2	(4,459)	1,484	-	(2,975)
Transferred to Stage 3	-	-	-	-
New/additional during the period	42,826	66,239	-	109,065
Maturity/settlement/reduction during the period	(54,118)	(18,591)	-	(72,709)
Exchanges differences	-	-	-	-
<u>Movements without profit or loss impact:</u>				
Other movements	-	10	-	10
As at 30 September 2019	55,593	373	39,960	95,926
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	46,092	1,128	39,960	87,180
As at 1 January 2018, restated	46,092	1,128	39,960	87,180
<u>Movements with profit or loss impact:</u>				
New/additional during the year	122,844	-	-	122,844
Maturity/settlement/reduction during the year	(126,856)	(554)	-	(127,410)
As at 31 December 2018	42,080	574	39,960	82,614

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EXPLANATORY NOTES**24 Movements in allowance for ECL (cont'd.)****(b) Commitments and contingencies**

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit-impaired RM'000	
As at 1 January 2019	101,107	31,860	15,562	148,529
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	29,390	(37,874)	-	(8,484)
Transferred to Stage 2	(24,846)	34,738	-	9,892
Transferred to Stage 3	(1)	(231)		(232)
New/additional during the period	130,566	14,502	1,124	146,192
Maturity/settlement/reduction during the period	(150,214)	(24,899)	(2,625)	(177,738)
Exchanges differences	-	-	-	-
<u>Movements without profit or loss impact:</u>				
Other movements	-	(10)	-	(10)
As at 30 September 2019	86,002	18,086	14,061	118,149
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	74,010	14,275	17,111	105,396
As at 1 January 2018, restated	74,010	14,275	17,111	105,396
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	16,992	(23,616)	(2)	(6,626)
Transferred to Stage 2	(23,094)	46,826	(55)	23,677
Transferred to Stage 3	(2)	(7)	410	401
New/additional during the year	356,117	117,779	265	474,161
Maturity/settlement/reduction during the year	(323,005)	(123,373)	(2,169)	(448,547)
Exchanges differences	89	(24)	2	67
As at 31 December 2018	101,107	31,860	15,562	148,529

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

Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	non credit- RM'000	credit-impaired RM'000	
As at 1 January 2019	797,395	362,169	212,674	1,372,238
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	34,451	(108,057)	(5,779)	(79,385)
Transferred to Stage 2	(52,009)	194,487	(9,349)	133,129
Transferred to Stage 3	(554)	(43,721)	129,854	85,579
New/additional during the period	279,368	46,205	108,290	433,863
Maturity/settlement/reduction during the period	(198,772)	(91,126)	(79,839)	(369,737)
Exchanges differences	-	-	-	-
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(89,617)	(89,617)
Other movements	-	-	(5,955)	(5,955)
As at 30 September 2019	859,879	359,957	260,279	1,480,115
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	690,008	402,436	310,143	1,402,587
As at 1 January 2018, restated	690,008	402,436	310,143	1,402,587
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
New/additional during the year	397,906	88,051	141,417	627,374
Maturity/settlement/reduction during the year	(281,908)	(160,254)	(113,673)	(555,835)
Exchanges differences	113	(113)	-	-
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
As at 31 December 2018	797,395	362,169	212,674	1,372,238

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

Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	non credit-	credit-impaired	
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	798,668	362,169	212,674	1,373,511
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	34,451	(108,057)	(5,779)	(79,385)
Transferred to Stage 2	(52,009)	194,487	(9,349)	133,129
Transferred to Stage 3	(554)	(43,721)	129,854	85,579
New/additional during the period	279,368	46,205	108,290	433,863
Maturity/settlement/reduction during the period	(198,723)	(91,126)	(79,839)	(369,688)
Exchanges differences	-	-	-	-
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(89,617)	(89,617)
Other movements	-	-	(5,955)	(5,955)
As at 30 September 2019	861,201	359,957	260,279	1,481,437
As at 1 January 2018	-	-	-	-
<i>Effect of adopting MFRS 9 Financial Instruments</i>	690,916	402,436	310,143	1,403,495
As at 1 January 2018, restated	690,916	402,436	310,143	1,403,495
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	33,571	(104,752)	(5,340)	(76,521)
Transferred to Stage 2	(41,617)	189,282	(13,849)	133,816
Transferred to Stage 3	(678)	(52,481)	108,743	55,584
New/additional during the year	398,271	88,051	141,417	627,739
Maturity/settlement/reduction during the year	(281,908)	(160,254)	(113,673)	(555,835)
Exchanges differences	113	(113)	-	-
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(216,045)	(216,045)
Other movements	-	-	1,278	1,278
As at 31 December 2018	798,668	362,169	212,674	1,373,511

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EXPLANATORY NOTES**25. OPERATING REVENUE**

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

26. INTEREST INCOME

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Interest income from loans, advances and financing	1,018,662	1,049,472	3,087,998	3,036,984
Interest income from impaired loans, advances and financing	23,668	21,495	55,269	60,904
Money at call and deposit placements with financial institutions	28,225	71,090	128,467	204,868
Financial assets at FVTPL	21,766	17,546	40,344	38,055
Debt instruments at FVOCI	200,203	150,742	520,330	371,925
Debt instruments at AC	826	-	6,598	-
	1,293,350	1,310,345	3,839,006	3,712,736
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	(4,323)	7,211	(1,939)	33,961
- Debt instruments at FVOCI	(5,566)	(2,847)	(14,818)	(9,680)
	1,283,461	1,314,709	3,822,249	3,737,017
Bank				
Interest income from loans, advances and financing	1,018,662	1,050,842	3,087,998	3,040,936
Interest income from impaired loans, advances and financing	23,668	21,495	55,269	60,904
Money at call and deposit placements with financial institutions	29,472	71,099	132,472	204,874
Financial assets at FVTPL	21,767	17,546	40,344	38,055
Debt instruments at FVOCI	200,203	150,742	520,330	371,925
Debt instruments at AC	826	-	6,598	-
	1,294,598	1,311,724	3,843,011	3,716,694
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	(4,323)	7,211	(1,939)	33,961
- Debt instruments at FVOCI	(5,566)	(2,847)	(14,818)	(9,680)
	1,284,709	1,316,088	3,826,254	3,740,975

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EXPLANATORY NOTES**27. INTEREST EXPENSE**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Deposits from customers	668,422	715,466	2,050,858	2,020,167
Deposits and placements of banks and other financial institutions	62,693	51,486	165,942	117,160
Subordinated bonds	17,856	20,436	53,969	53,972
Lease liabilities	211	-	650	-
Others	12,334	(389)	20,668	10,488
	761,516	786,999	2,292,087	2,201,787
Bank				
Deposits from customers	668,771	715,621	2,051,544	2,020,357
Deposits and placements of banks and other financial institutions	62,693	51,486	165,942	117,160
Subordinated bonds	18,143	20,436	54,256	53,972
Lease liabilities	565	-	1,893	-
Others	12,048	(389)	20,381	10,488
	762,220	787,154	2,294,016	2,201,977

28. OTHER OPERATING INCOME

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
<u>Fee income</u>				
Commission	78,056	61,603	204,636	203,066
Guarantee fees	23,411	15,443	60,882	61,059
Service charges and fees	60,691	61,244	165,182	167,835
Less: Fee expenses	(16,513)	(15,737)	(49,797)	(46,417)
	44,178	45,507	115,386	121,418
Commitment fees	9,007	6,882	29,337	20,740
Arrangement and participation fees	2,855	2,503	5,337	7,093
	157,507	131,938	415,578	413,376

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

Group (cont'd.)	Third Quarter Ended		Nine Months Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
<u>Trading and Investment income</u>				
Gain/(loss) from sale of financial assets at FVTPL	3,617	(568)	13,775	(735)
Unrealised (loss)/gain on financial assets at FVTPL	(2,093)	1,937	192	(3,781)
Gain from trading derivatives	22,080	16,648	2,521	47,700
Unrealised (loss)/ gain from trading derivatives	(5,387)	(11,377)	33,823	(1,529)
Unrealised (loss)/gain on fair value hedge	(2,799)	807	(12,709)	1,654
(Loss)/gain from sale of precious metal	(3,224)	217	(4,206)	1,374
Unrealised gain/(loss) from sale of precious metal	3,358	(3)	430	25
Gain from sale/recovery of debt instruments at FVOCI	37,995	5,706	80,550	9,011
Gross dividends from:				
- Equity instruments at FVOCI	813	147	822	655
	54,360	13,514	115,198	54,374
<u>Other income</u>				
Foreign exchange gain, net	40,216	54,823	154,257	164,186
Rental income from operating leases	14	24	57	70
Gain on disposal of property, plant and equipment	-	83	3	217
Loss on liquidation of subsidiaries	-	(12)	-	-
Others	3,759	3,690	10,578	12,516
	43,989	58,608	164,895	176,989
	255,856	204,060	695,671	644,739

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

	Third Quarter		Nine Months	
	Ended		Ended	
Bank	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	78,056	61,603	204,636	203,066
Guarantee fees	23,411	15,443	60,882	61,059
Service charges and fees	60,775	61,392	165,435	168,112
Less: Fee expenses	(16,514)	(15,737)	(49,797)	(46,417)
	44,261	45,655	115,638	121,695
Commitment fees	9,007	6,882	29,337	20,740
Arrangement and participation fees	2,855	2,503	5,337	7,093
	157,590	132,086	415,830	413,653
<u>Trading and Investment income</u>				
Gain/(loss) from sale of financial assets at FVTPL	3,617	(568)	13,775	(734)
Unrealised (loss)/gain on financial assets at FVTPL	(2,093)	1,937	192	(3,781)
Gain from trading derivatives	22,080	16,648	2,521	47,700
Unrealised (loss)/ gain from trading derivatives	(5,387)	(11,377)	33,823	(1,529)
Unrealised (loss)/gain on fair value hedge	(2,799)	807	(12,709)	1,653
(Loss)/gain from sale of precious metal	(3,224)	217	(4,206)	1,374
Unrealised gain/(loss) from sale of previous metal	3,358	(3)	430	25
Gain from sale/recovery of debt instruments at FVOCI	37,995	5,706	80,550	9,011
Gross dividends from:				
- Equity instruments at FVOCI	813	147	822	655
	54,360	13,514	115,198	54,374

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

	Third Quarter Ended		Nine Months Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Bank (cont'd.)				
<u>Other income</u>				
Foreign exchange gain, net	40,217	54,824	154,257	164,186
Gain on disposal of property, plant and equipment	-	83	3	217
Loss on liquidation of subsidiaries	-	(12)	-	-
Others	3,759	3,690	10,578	12,516
	43,976	58,585	164,838	176,919
	255,926	204,185	695,866	644,946

29. OTHER OPERATING EXPENSES

	Third Quarter Ended		Nine Months Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Group				
Personnel expenses	192,163	192,883	601,448	566,533
Establishment related expenses	79,481	54,363	198,304	165,061
Promotion and marketing related expenses	9,955	10,235	28,821	26,379
General administrative expenses	26,775	32,443	78,739	83,285
	308,374	289,924	907,312	841,258
<u>Personnel expenses</u>				
Wages, salaries and bonus	148,227	151,125	467,019	447,266
Defined contribution plan	23,321	23,885	73,987	70,312
Other employee benefits	20,615	17,873	60,442	48,955
	192,163	192,883	601,448	566,533
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	17,512	17,359	51,345	47,654
Depreciation of right-of-use assets	3,941	-	11,061	-
Information technology costs	34,651	13,131	59,519	38,779
Repair and maintenance	10,686	8,492	38,714	32,299
Short term lease expenses	182	-	1,312	-
Rental of premises	-	3,848	-	11,873
Others	12,509	11,533	36,353	34,456
	79,481	54,363	198,304	165,061

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

Group (cont'd.)	Third Quarter Ended		Nine Months Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	9,955	10,235	28,821	26,379
<u>General administrative expenses</u>				
Fees and commissions paid	7,678	8,350	23,412	21,627
Others	19,097	24,093	55,327	61,658
	26,775	32,443	78,739	83,285
Bank				
Personnel expenses	191,123	191,650	597,999	562,986
Establishment related expenses	81,886	57,452	206,205	174,825
Promotion and marketing related expenses	9,956	10,225	28,738	26,352
General administrative expenses	26,695	32,308	78,579	83,063
	309,660	291,635	911,521	847,226
<u>Personnel expenses</u>				
Wages, salaries and bonus	147,392	150,102	464,211	444,373
Defined contribution plan	23,195	23,742	73,580	69,906
Other employee benefits	20,536	17,806	60,208	48,707
	191,123	191,650	597,999	562,986
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	14,664	15,057	42,805	40,788
Depreciation of right-of-use assets	8,937	-	26,085	-
Information technology costs	34,651	13,131	59,519	38,779
Repair and maintenance	10,399	8,210	38,007	31,604
Short term lease expenses	182	-	1,312	-
Rental of premises	-	8,717	-	26,302
Others	13,053	12,337	38,477	37,352
	81,886	57,452	206,205	174,825
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	9,956	10,225	28,738	26,352
<u>General administrative expenses</u>				
Fees and commissions paid	7,610	8,240	23,287	21,440
Others	19,085	24,068	55,292	61,623
	26,695	32,308	78,579	83,063

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

Group	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
a Loans, advances and financing				
- Stage 1 ECL	50,756	16,306	62,484	13,940
- Stage 2 ECL	(12,938)	6,914	(2,212)	12,616
- Stage 3 ECL	66,587	21,759	143,177	90,168
	104,405	44,979	203,449	116,724
Credit-impaired loans, advances and financing				
- written off	9,027	9,458	32,681	31,231
- recovered	(40,649)	(13,389)	(71,341)	(40,460)
	72,783	41,048	164,789	107,495
b Other financial assets				
Placement with banks and other financial institutions, and other assets	2,635	(11,438)	688	(12,766)
Debt instruments measured at FVOCI	(21,369)	6,295	(4,030)	7,449
Debt instruments measured at AC	16,644	-	16,644	-
	(2,090)	(5,143)	13,302	(5,317)
c Commitments and contingencies				
- Stage 1 ECL	4,273	(3,296)	(15,105)	4,310
- Stage 2 ECL	(2,835)	4,491	(13,764)	7,325
- Stage 3 ECL	786	(230)	(1,501)	(1,555)
	2,224	965	(30,370)	10,080
Bank				
a Loans, advances and financing				
- Stage 1 ECL	50,731	16,299	62,533	14,189
- Stage 2 ECL	(12,938)	6,914	(2,212)	12,616
- Stage 3 ECL	66,587	21,759	143,177	90,168
	104,380	44,972	203,498	116,973
Credit-impaired loans, advances and financing				
- written off	9,029	9,458	32,681	31,231
- recovered	(40,649)	(13,389)	(71,341)	(40,460)
	72,760	41,041	164,838	107,744
b Other financial assets				
Placement with banks and other financial institutions, and other assets	2,638	(11,437)	691	(12,764)
Debt instruments measured at FVOCI	(21,369)	6,295	(4,030)	7,448
Debt instruments measured at AC	16,644	-	16,644	-
	(2,087)	(5,142)	13,305	(5,316)
c Commitments and contingencies				
- Stage 1 ECL	4,273	(3,296)	(15,104)	4,310
- Stage 2 ECL	(2,835)	4,491	(13,765)	7,325
- Stage 3 ECL	786	(230)	(1,501)	(1,555)
	2,224	965	(30,370)	10,080

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EXPLANATORY NOTES

31. SEGMENT INFORMATION

Operating Segments

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

Retail

The Retail segment covers Personal Financial Services, Business and Private Bank. Personal Financial Services serves the individual customers, offers a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Bank is an integral part of the Group, dedicated to providing high-net-worth clients with financial and portfolio planning services. We are focused on helping our clients achieve sustainable growth and legacy solutions of their wealth for future generations via bespoke wealth management and credit advisory. Business Banking serves small enterprises, offers a range of products and services, including deposits, loans, trade, foreign exchange and insurance products.

Wholesale Banking ("WB")

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

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Global Markets ("GM")

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

Others

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

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 September 2019							
Operating income	1,088,711	852,170	202,100	128,226	2,271,207	(17,924)	2,253,283
Other operating expenses	(554,795)	(195,724)	(61,382)	(114,013)	(925,914)	18,602	(907,312)
Allowance for expected credit losses	(5,291)	(142,462)	-	(29)	(147,782)	61	(147,721)
Share of net profit of an associate	-	-	-	176	176	-	176
Profit before taxation	<u>528,625</u>	<u>513,984</u>	<u>140,718</u>	<u>14,360</u>	<u>1,197,687</u>	<u>739</u>	<u>1,198,426</u>
Income tax expense							<u>(286,910)</u>
							<u>911,516</u>

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

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

For period ended 30 September 2019

Inter-segment operating income	279,762	165,539	(597,925)	170,548	17,924	(17,924)	-
Total depreciation	16,908	5,863	3,567	51,029	77,367	(14,961)	62,406

As at 30 September 2019

Gross loans, advances and financing	53,881,084	30,669,648	-	345,288	84,896,020	(112,138)	84,783,882
Deposits from customers	62,426,514	28,612,825	8,874	12,197	91,060,410	(47,260)	91,013,150

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 September 2018							
Operating income	1,046,840	841,150	109,864	231,247	2,229,101	(18,948)	2,210,153
Other operating expenses	(528,924)	(176,768)	(40,771)	(113,681)	(860,144)	18,886	(841,258)
Allowance for expected credit losses	(71,875)	(40,629)	-	(12)	(112,516)	258	(112,258)
Share of net profit of an associate	-	-	-	171	171	-	171
Profit before taxation	<u>446,041</u>	<u>623,753</u>	<u>69,093</u>	<u>117,725</u>	<u>1,256,612</u>	<u>196</u>	<u>1,256,808</u>
Income tax expense							<u>(297,593)</u>
							<u>959,215</u>

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

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

For period ended 30 September 2018

Inter-segment operating income	161,347	205,535	(622,767)	274,833	18,948	(18,948)	-
Total depreciation	7,861	2,844	1,358	35,529	47,592	62	47,654

As at 31 December 2018

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

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

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

	Group		Bank	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	8,540,260	9,035,171	8,616,143	9,111,054
Other reserves	369,367	282,731	172,447	85,810
Regulatory adjustments applied in the calculation of CET1 Capital	(350,465)	(349,705)	(415,489)	(365,064)
Total CET1/Tier 1 Capital	9,351,717	9,760,752	9,165,656	9,624,355
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,600,000	1,600,000	1,600,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	297,989	304,310	298,681	305,066
- General provisions	25,583	26,553	15,370	16,505
Regulatory adjustments applied in the calculation of Tier 2 Capital	85,509	85,437	-	-
Total Tier 2 Capital	2,009,081	2,016,300	1,914,051	1,921,571
Total Capital	11,360,798	11,777,052	11,079,707	11,545,926

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EXPLANATORY NOTES

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

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

	Group		Bank	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
CET1/Tier 1 Capital	15.687%	16.200% *	15.556%	16.151% *
Total Capital	19.058%	19.547% *	18.804%	19.376% *

* The CET1/Tier 1 Capital and Total Capital ratios were before payment of dividend. The CET1/Tier 1 Capital would be 15.379% and 18.725% for the Group and 15.321% and 18.546% for the Bank, net of proposed dividend.

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

	Group		Bank	
	30-Sep-19 RM'000	31-Dec-18 RM'000	30-Sep-19 RM'000	31-Dec-18 RM'000
Total RWA for credit risk	52,219,152	52,842,515	51,517,317	52,164,645
Total RWA for market risk	1,880,208	1,975,548	1,880,208	1,975,548
Total RWA for operational risk	5,513,362	5,433,208	5,524,062	5,448,326
	59,612,722	60,251,271	58,921,587	59,588,519

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EXPLANATORY NOTES**33. COMMITMENTS AND CONTINGENCIES**

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

As at 30 September 2019	Principal amount RM'000	Group Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,808,083	2,734,737	1,994,126
Transaction-related contingent items	6,066,564	3,028,259	2,056,809
Short-term self-liquidating trade-related contingencies	393,416	85,996	46,649
Foreign exchange related contracts			
- not more than one year	23,322,827	449,812	132,246
- more than one year to less than five years	574,996	40,926	23,903
Interest rate related contracts			
- not more than one year	8,119,110	75,567	28,359
- more than one year to less than five years	17,153,537	724,558	384,293
- five years and above	1,962,855	230,686	152,373
Equity related contracts			
- not more than one year	455,448	516	82
- more than one year to less than five years	192,429	-	-
Commodity related contracts			
- not more than one year	704,982	63,336	15,199
- more than one year to less than five years	145,392	18,658	2,648
Undrawn credit facility			
- not more than one year	17,225,372	864,012	165,876
- more than one year	7,914,290	5,388,361	3,543,594
- unconditionally cancellable	14,973,094	6,108,643	761,991
Other commitments	685,503	394,037	394,034
Total	102,697,898	20,208,104	9,702,182

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EXPLANATORY NOTES

33. COMMITMENTS AND CONTINGENCIES (cont'd.)

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

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

As at 30 September 2019	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,808,083	2,734,737	1,994,126
Transaction-related contingent items	6,066,564	3,028,259	2,056,809
Short-term self-liquidating trade-related contingencies	393,416	85,996	46,649
Foreign exchange related contracts			
- not more than one year	23,322,827	449,812	132,246
- more than one year to less than five years	574,996	40,926	23,903
Interest rate related contracts			
- not more than one year	8,119,110	75,567	28,359
- more than one year to less than five years	17,153,537	724,558	384,293
- five years and above	1,962,855	230,686	152,373
Equity related contracts			
- not more than one year	455,448	516	82
- more than one year to less than five years	192,429	-	-
Commodity related contracts			
- not more than one year	704,982	63,336	15,199
- more than one year to less than five years	145,392	18,658	2,648
Undrawn credit facility			
- not more than one year	17,225,372	864,012	165,876
- more than one year	7,914,290	5,388,361	3,543,594
- unconditionally cancellable	14,973,094	6,108,643	761,991
Other commitments	324,466	32,946	32,943
Total	102,336,861	19,847,013	9,341,091

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

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

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

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EXPLANATORY NOTES

34. PERFORMANCE REVIEW

For the nine months ended 30 September 2019, the Group recorded a profit before taxation of RM1,198.4 million, a decrease of 4.6% or RM58.4 million compared to same period last year.

Total operating income increased by 2.0% or RM43.1 million to RM2,253.3 million mainly from higher other operating income, partially offset by lower net interest income and net income from Islamic Banking operations. Other operating income increased 7.9% or RM50.9 million to RM695.7 million mainly due to higher trading and investment income.

Expenses increased by 7.9% or RM66.0 million to RM907.3 million driven by higher staff expenses and establishment related expenses.

Total allowance for expected credit losses increased by 31.6% or RM35.5 million to RM147.7 million mainly due to higher expected credit loss on loans, advances and financing coupled with other financial assets, offset by write-back of expected credit loss on commitments and contingencies.

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35. PROSPECTS FOR 2019

The global economy is expanding at a slower pace amid weakness in manufacturing and trade. Going forward, escalating trade disputes and a more pronounced global slowdown remain a key source of risk that would affect global trade and investment activities. Major central banks have loosened monetary policy with interest rate cuts and quantitative easing to support growth and ease financial conditions. Asia is demonstrating its resilience amid rising external headwinds by lowering interest rates and initiating fiscal measures to secure growth and stability.

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

Amid the moderate economic growth, we continue to focus on building a sustainable business by investing in our people and capabilities for the future whilst keeping our customers at the centre.

The Group is expected to achieve fair set of result in 2019.

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36. ISLAMIC BANKING OPERATIONS

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	Note	30-Sep-19 RM'000	31-Dec-18 RM'000
Assets			
Cash and short-term funds	a	1,694,019	2,709,957
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	1,652,773	179,662
Financing, advances and others	c	4,130,317	2,702,218
Other assets	d	18,265	2,656
Derivative financial assets		249	50
Statutory deposits with Bank Negara Malaysia		96,500	58,500
Plant and equipment		6,242	54
Deferred tax assets		3,568	4,140
Total assets		7,601,933	5,657,237
Liabilities and Islamic Banking funds			
Deposits from customers	f	6,072,905	4,635,848
Investment accounts due to designated financial institution	g	373,033	99,946
Deposits and placements of banks and other financial institutions	h	578,548	419,903
Bills and acceptances payable		838	318
Derivative financial liabilities		1,491	467
Other liabilities	i	119,003	52,491
Tax Payable		2,103	2,748
Total liabilities		7,147,921	5,211,721
Capital fund		450,000	450,000
Reserves		4,012	(4,484)
Islamic Banking funds	j	454,012	445,516
Total liabilities and Islamic Banking funds		7,601,933	5,657,237
Commitments and contingencies	r	1,523,198	1,373,030

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

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Third Quarter ended		Nine Months ended	
		30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Income derived from depositors' funds	k	29,375	17,136	99,936	38,812
Income derived from investment of Islamic Banking funds	l	38,585	18,634	89,906	43,126
Income derived from investment of Investment Account funds	m	4,345	-	8,811	-
(Allowance for)/write back of expected credit loss:					
Financing, advances and others	p	(3,936)	(2,708)	7,669	(8,688)
Other financial assets	p	(489)	(329)	(843)	(687)
Commitment and contingencies	p	(629)	(847)	(437)	(47)
Total attributable income		67,251	31,886	205,042	72,516
Income attributable to depositors	n	(59,975)	(23,816)	(164,155)	(51,754)
Income attributable to Investment Account holder	o	(3,475)	-	(7,048)	-
Total net income		3,801	8,070	33,839	20,762
Other operating expenses	q	(5,144)	(4,585)	(23,540)	(14,682)
(Loss)/profit before taxation		(1,343)	3,485	10,299	6,080
Income tax income		312	(840)	(2,489)	(1,458)
(Loss)/Profit after taxation		(1,031)	2,645	7,810	4,622
Other comprehensive income:					
<u>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</u>					
Net fair value change in debt instruments at fair value through other comprehensive income		713	69	872	40
Income tax effect		(148)	(17)	(186)	(10)
Total other comprehensive income for the period, net of tax		565	52	686	30
Total comprehensive income for the period		(466)	2,697	8,496	4,652

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

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36. ISLAMIC BANKING OPERATIONS (cont'd.)**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

	Capital fund RM'000	Fair value through other comprehensive RM'000	Accumulated profit/ (losses) RM'000	Total RM'000
2019				
At 1 January 2019	450,000	(6)	(4,478)	445,516
Profit for the period	-	-	7,810	7,810
Other comprehensive income	-	686	-	686
Total comprehensive income	-	686	7,810	8,496
At 30 September 2019	450,000	680	3,332	454,012

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

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

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

	30-Sep-19	30-Sep-18
	RM'000	RM'000
Profit before taxation	10,299	6,080
Adjustments for non-operating and non-cash items	(19,114)	11,688
Operating profit before working capital changes	(8,815)	17,768
Changes in working capital:		
Net changes in operating assets	(1,475,518)	(1,398,212)
Net changes in operating liabilities	1,936,845	2,748,495
Net cash generated from operating activities	452,512	1,368,051
Net cash (used in) investing activities	(1,468,450)	(98,186)
Net (decrease)/ increase in cash and cash equivalents	(1,015,938)	1,269,865
Cash and cash equivalents at beginning of the period	2,709,957	179,447
Cash and cash equivalents at end of the period	1,694,019	1,449,312
Analysis of cash and cash equivalents		
Cash and short term funds	1,694,019	1,449,312

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

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

a. Cash and short-term funds

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Cash and balances with banks and other financial institutions	53,654	150,053
Money at call and deposit placements maturing within one month	1,642,000	2,561,000
Less: Allowances for ECL	(1,635)	(1,096)
	<u>1,694,019</u>	<u>2,709,957</u>

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Money market instruments		
Government Islamic investment	1,354,511	30,012
Malaysia Government treasury bills	298,787	149,869
Less: Allowances for ECL	(525)	(219)
	<u>1,652,773</u>	<u>179,662</u>

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

c. Financing, advances and others

(i) Financing by type of Shariah contract:

30 September 2019

	Sale based contracts			Total RM'000
	<i>Tawarruq</i> RM'000	<i>Murabahah</i> RM'000	<i>Bai Al-Dayn</i> RM'000	
Term financing and revolving credits				
- Housing financing	1,898,946	-	-	1,898,946
- Others term financing	2,202,489	-	-	2,202,489
Trust receipt	-	1,716	-	1,716
Claim on customers under acceptance credit	-	68,901	736	69,637
Gross financing, advances and others	4,101,435	70,617	736	4,172,788
Allowance for ECL on financing, advances and others				
Stage 1 - 12 month ECL				(11,041)
Stage 2 - Lifetime ECL non credit-impaired				(25,988)
Stage 3 - Lifetime ECL credit impaired				(5,442)
Net financing, advances and others				4,130,317

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

As at 30 September 19, the gross exposure and expected credit loss relating to RSIA financing amounted to RM302,420,612 and RM21,846,076 respectively.

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

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

(i) Financing by type of Shariah contract (cont'd):

31 December 2018

	Sale based contracts			Total RM'000
	<i>Tawarruq</i> RM'000	<i>Murabahah</i> RM'000	<i>Bai Al-Dayn</i> RM'000	
Term financing and revolving credits				
- Housing financing	1,324,968	-	-	1,324,968
- Others term financing	1,359,194	-	-	1,359,194
Claim on customers under acceptance credit	-	46,688	2,156	48,844
Gross financing, advances and others	2,684,162	46,688	2,156	2,733,006
Allowance for ECL on financing, advances and others				
Stage 1 - 12 month ECL				(13,706)
Stage 2 - Lifetime ECL non credit-impaired				(15,449)
Stage 3 - Lifetime ECL credit impaired				(1,633)
Net financing, advances and others				2,702,218

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

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

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Maturing within one year	440,369	323,581
One year to three years	122,387	85,954
Three years to five years	101,774	103,904
Over five years	3,508,258	2,219,567
	<u>4,172,788</u>	<u>2,733,006</u>

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprises	1,004,205	560,316
- Others	1,070,494	691,434
Individuals	1,987,839	1,386,740
Foreign entities	110,250	94,516
	<u>4,172,788</u>	<u>2,733,006</u>

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Fixed rate		
- Other fixed rate financing	69,638	48,847
Variable rates:		
- Base rate/base financing rate-plus	2,815,648	1,986,861
- Cost-plus	1,287,502	697,298
	<u>4,172,788</u>	<u>2,733,006</u>

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

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

(v) Gross financing, advances and others by economic sectors:

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Agriculture	407,588	125,525
Manufacturing	349,368	206,940
Electricity, gas and water	61,712	63,294
Construction	273,111	198,404
Wholesale, retail trade, restaurants and hotels	545,143	383,295
Transport, storage and communication	92,257	31,454
Finance, insurance and business services	131,644	98,464
Real estate	197,125	138,790
Community, social and personal services	16,751	5,579
Households		
- purchase of residential properties	1,906,912	1,331,417
- purchase of non residential properties	116,099	99,973
- others	75,078	49,871
	<u>4,172,788</u>	<u>2,733,006</u>

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
As at 1 January	12,704	703
Classified as impaired during the period	28,622	12,862
Amount recovered	(249)	(6)
Reclassified as non credit impaired	(2,148)	(855)
As at 30 September/ 31 December	<u>38,929</u>	<u>12,704</u>
Allowance for ECL on credit impaired	(5,442)	(1,633)
Net impaired financing, advances and others	<u>33,487</u>	<u>11,071</u>

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

<u>0.8%</u>	<u>0.4%</u>
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36. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

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

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Manufacturing	1,976	-
Construction	652	-
Wholesale, retail trade, restaurants and hotels	5,016	2,119
Households:		
- purchase of residential properties	30,686	10,585
- purchase of non-residential properties	499	-
- others	100	-
	38,929	12,704

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
In Malaysia	38,929	12,704

d. Other assets

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Other receivables, deposits and prepayments	1,611	462
Profit receivables	16,655	2,197
Less: Allowances for ECL	(1)	(3)
	18,265	2,656

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

e. Movements in loss allowance for expected credit loss

(a) Other financial assets:

**Cash and Short term funds and Debt
instruments at FVOCI and Other assets**

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2019	1,317	1	-	1,318
<u>Movements with P&L impact:</u>				
New/additional during the period	6,189	-	-	6,189
Maturity/settlement/reduction during the period	(5,348)	-	-	(5,348)
Exchange differences	2	-	-	2
As at 30 September 2019	<u>2,160</u>	<u>1</u>	<u>-</u>	<u>2,161</u>

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

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36. ISLAMIC BANKING OPERATIONS (cont'd.)
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e. Movements in loss allowance for expected credit loss (cont'd)

(b) Contingent Liabilities and Commitments

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2019	1,997	205	-	2,202
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	57	(79)	-	(22)
Transferred to Stage 2	(55)	2,655	-	2,600
New/additional during the period	8,387	174	-	8,561
Maturity/settlement/reduction during the period	(8,542)	(78)	-	(8,620)
As at 30 September 2019	<u>1,844</u>	<u>2,877</u>	<u>-</u>	<u>4,721</u>

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

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

f. Deposits from customers

(i) By type of deposits:

	30-Sep-19	31-Dec-18
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	193,708	106,229
Savings deposits		
- Qard	27,164	11,860
Fixed deposits		
- Tawarruq	5,765,443	4,500,309
Other deposits		
- Tawarruq	86,590	17,450
	<u>6,072,905</u>	<u>4,635,848</u>

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Due within six months	3,317,419	2,353,657
Six months to one year	2,186,164	1,984,818
One year to three years	90,001	-
Three years to five years	171,859	161,834
	<u>5,765,443</u>	<u>4,500,309</u>

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Business enterprises	1,431,786	997,912
Individuals	2,439,485	1,043,184
Others	2,201,634	2,594,752
	<u>6,072,905</u>	<u>4,635,848</u>

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
<u>Mudharabah RSIA</u>		
Licensed bank	395,000	100,000
Amount receivable from Conventional Bank	(21,967)	(54)
	<u>373,033</u>	<u>99,946</u>

h. Deposits and placements of banks and other financial institutions

	30-Sep-19	31-Dec-18
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	<u>578,548</u>	<u>419,903</u>

i. Other liabilities

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Allowance for ECL for commitment and contingencies	4,721	2,202
Accrued profit payable	112,261	47,410
Accruals and provisions for operational expenses	2,021	2,879
	<u>119,003</u>	<u>52,491</u>

j. Islamic Banking funds

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Capital fund	450,000	450,000
Fair value through other comprehensive income reserve	680	(6)
Accumulated profit/ (loss)	3,332	(4,478)
	<u>454,012</u>	<u>445,516</u>

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

k. Income derived from depositors' funds

	Third Quarter ended		Nine Months ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	18,911	10,936	51,474	23,963
Money at call and deposit placements with financial institutions	10,464	6,200	48,462	14,849
	29,375	17,136	99,936	38,812

l. Income derived from investment of Islamic Banking funds

	Third Quarter ended		Nine Months ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	23,636	13,844	66,650	31,072
Money at call and deposit placements with financial institutions	1,568	1,285	4,363	3,940
FVOCI securities	11,631	754	12,479	1,208
	36,835	15,883	83,492	36,220
<u>Other operating income</u>				
Trading income	145	57	757	244
Commission income	1,052	1,424	3,586	3,984
Fee income	542	1,265	2,044	2,667
Others	11	5	27	11
	38,585	18,634	89,906	43,126

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

	Third Quarter ended		Nine Months ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Financing, advances and others	3,604	-	7,398	-
Money at call and deposit placements with financial institutions	741	-	1,413	-
	4,345	-	8,811	-

n. Income attributable to depositors

	Third Quarter ended		Nine Months ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors from non-mudharabah fund	59,975	23,816	164,155	51,754

o. Income attributable to investment account holders

	Third Quarter ended		Nine Months ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors from mudharabah fund	3,475	-	7,048	-

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36. ISLAMIC BANKING OPERATIONS (cont'd.)
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p. Allowance for impairment on financing, advances and others and other financial assets

	Third Quarter ended		Nine Months period	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Allowance for impairment on financing, advances and others				
Stage 1 ECL	2,657	64	(2,662)	3,360
Stage 2 ECL	19,431	1,997	10,539	4,537
Stage 3 ECL	1,471	647	4,285	791
Recovery from RSIA holder*	(19,623)	-	(19,831)	-
	3,936	2,708	(7,669)	8,688
Other financial assets				
Stage 1 ECL	488	307	843	678
Stage 2 ECL	1	22	-	9
	489	329	843	687
Commitment and contingencies				
Stage 1 ECL	354	360	(153)	(434)
Stage 2 ECL	2,357	487	2,672	481
Recovery from RSIA holder*	(2,082)	-	(2,082)	-
	629	847	437	47
Total	5,054	3,884	(6,389)	9,422

*The RSIA holder is the Conventional Banking

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36. ISLAMIC BANKING OPERATIONS (cont'd.)
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q. Other operating expenses

	Third Quarter ended		Nine Months ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Personnel expenses	473	216	1,583	1,189
Establishment related expenses	966	160	1,859	382
Promotion and marketing related expenses	152	2	235	12
General administrative expenses	3,553	4,207	19,863	13,099
	5,144	4,585	23,540	14,682
Personnel expenses				
- Wages, salaries and bonus	357	185	1,144	943
- Defined contribution plan	57	30	183	150
- Other employee benefits	59	1	256	96
	473	216	1,583	1,189
Establishment related expenses				
- Depreciation of property, plant and equipment	221	4	510	12
- Repair and maintenance	2	1	3	3
- Rental of premises	-	3	-	9
- Information technology costs	513	136	695	136
- Others	230	16	651	222
	966	160	1,859	382
Promotion and marketing related expenses				
- Advertisement and publicity	152	2	235	12
General administrative expenses				
- Fees and commissions paid	116	114	310	282
- Management fee	3,366	4,080	19,290	12,732
- Others	71	13	263	85
	3,553	4,207	19,863	13,099

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

r. Commitments and contingencies

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 30 September 2019			
Direct credit substitutes	9,245	9,245	9,816
Transaction-related contingent items	42,354	21,512	23,381
Short-term self-liquidating trade-related contingencies	2,789	558	486
Foreign exchange related contracts			
- less than one year	130,680	2,057	799
Undrawn credit facility			
- less than one year	193,391	1,202	361
- more than one year	1,001,829	664,869	210,122
- unconditionally cancellable	142,910	-	-
Total	1,523,198	699,443	244,965
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2018			
Direct credit substitutes	11,092	11,092	5,833
Transaction-related contingent items	31,974	15,987	14,260
Short-term self-liquidating trade-related contingencies	1,717	343	71
Foreign exchange related contracts			
- less than one year	113,442	1,745	422
Undrawn credit facility			
- less than one year	162,598	280	126
- more than one year	1,052,207	582,650	114,732
- unconditionally cancellable	-	-	-
Total	1,373,030	612,097	135,444

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**36. ISLAMIC BANKING OPERATIONS (cont'd.)
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s. Capital management and capital adequacy

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

	30-Sep-19	31-Dec-18
	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Accumulated losses	(4,478)	(4,478)
Other reserves	680	(6)
Regulatory adjustments applied in the calculation of CET1 Capital	(2,189)	(4,156)
Total CET1/Tier 1 Capital	444,013	441,360
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	12,659	8,136
- General provisions	98	247
Total Tier 2 Capital	12,757	8,383
Total Capital	456,770	449,743

(a) The capital adequacy ratios are as follows:

	30-Sep-19	31-Dec-18
Before the effects of PSIA		
CET1/Tier 1 Capital	16.512%	30.386%
Total Capital	17.076%	30.977%
After the effects of PSIA		
CET1/Tier 1 Capital	20.354%	31.099%
Total Capital	20.939%	31.689%

In accordance with BNM's Guidelines on the Recognition of Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit risk and market risks of the assets funded by the RSIA which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 September 2019, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM 507,592,709 (31 December 2018: RM33,283,000).

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36. ISLAMIC BANKING OPERATIONS (cont'd.)
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(b) Analysis of gross risk-weighted assets ("RWA") in the various categories of risk-weights is as follows:

	30-Sep-19	31-Dec-18
	RM'000	RM'000
Total RWA for credit risk	2,117,733	1,375,717
Total RWA for market risk	4,316	159
Total RWA for operational risk	59,366	43,348
	<u>2,181,415</u>	<u>1,419,224</u>