



United Overseas Bank (Malaysia) Bhd (Company No. 271809-K)

INFORMATION MEMORANDUM

**In connection with the proposed issuance of up to RM500 million
Nominal Value Subordinated Bonds (with an option to increase the
issue amount of up to RM800 million)**

Lead Arranger



UNITED OVERSEAS BANK (MALAYSIA) BHD
(Company No. 271809-K)
(A MEMBER OF THE UNITED OVERSEAS BANK GROUP)

This Information Memorandum is dated 1 June 2009

IMPORTANT NOTICE

THE ISSUANCE OF THE SUBORDINATED BONDS HAS BEEN APPROVED BY THE SECURITIES COMMISSION VIDE ITS LETTER TO UOB MALAYSIA DATED 22 MAY 2009. THE APPROVAL OF THE SECURITIES COMMISSION SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION RECOMMENDS THE SUBORDINATED BONDS.

A COPY OF THIS INFORMATION MEMORANDUM WILL BE DEPOSITED WITH THE SECURITIES COMMISSION WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

THE SECURITIES COMMISSION SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE ISSUER AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS INFORMATION MEMORANDUM. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, REFER TO SECTION 3.0 ON “INVESTMENT CONSIDERATIONS”.

IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR OWN FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR SUBSCRIBING FOR THE SUBORDINATED BONDS.

Purpose

The Issuer has issued this Information Memorandum, which is being provided on a confidential basis to potential investors, who fall within one or more of the categories of persons or in the circumstances falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the Capital Markets and Services Act, 2007 (“CMSA”) and are subject to certain restriction on resale as described under the ‘Selling Restriction’ clause as referred to in this Information Memorandum, for the sole purpose of assisting them to decide whether to subscribe or purchase the Subordinated Bonds. This Information Memorandum may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

The Issuer, having made all enquiries which are reasonable in the circumstances, confirms that to the best of its knowledge and belief: (a) this Information Memorandum, contains all information with respect to the Issuer (b) the information and data contained in this Information Memorandum are true, accurate and not misleading in all material respects, and (c) there is no material omission of any other information and data which would make any part of this Information Memorandum incorrect or misleading.

The Principal Adviser/Lead Arranger has not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Subordinated Bonds and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum, except as provided under Malaysian laws.

No person is authorised to give any information or to make any representation not contained in this Information Memorandum and any information or representation not contained in this Information Memorandum must not be relied upon as having been authorised by or on behalf of the Issuer. The delivery of this Information Memorandum at any time does not imply that the information contained in this Information Memorandum is correct at any time subsequent to its date.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction outside Malaysia ("Foreign Jurisdiction"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an offer of, or an invitation to apply for the Subordinated Bonds, or any other securities of any kind by any party in any Foreign Jurisdiction.

This Information Memorandum is not a prospectus and is not intended to be a prospectus. However, a copy of this Information Memorandum will be deposited in accordance with sections 229(4) and 230(4) of the CMSA, with the Securities Commission who takes no responsibility for its contents.

The distribution or possession of this Information Memorandum in or from certain jurisdictions may be restricted or prohibited by law. Each recipient is required by the Issuer and the Principal Adviser/ Lead Arranger to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the Principal Adviser/ Lead Arranger accept any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any such jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that: (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to subscribe for, purchase or in any other way to receive the Subordinated Bonds under all jurisdictions to which the recipient is subject, (c) the recipient will comply with all the applicable laws in connection with such subscription, purchase or acceptance of the Subordinated Bonds, (d) the Issuer and all other parties involved in the preparation of this Information Memorandum and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription, purchase or acceptance of the Subordinated Bonds and they shall not have any responsibility or liability in the event that such subscription or acceptance of the Subordinated Bonds are or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Subordinated Bonds can only be transferred or otherwise disposed of in accordance with the relevant "Selling Restrictions" and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Subordinated Bonds and is able and prepared to bear the economic and financial risks of investing in or holding the Subordinated Bonds, (g) it is subscribing for, purchasing or accepting the Subordinated Bonds for its own account, and (h) it falls within one or more of the categories of persons specified under Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the CMSA. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject to.

This Information Memorandum is not, and should not be construed as, a recommendation by the Issuer, the Principal Adviser/ Lead Arranger, any of its advisors or any other party to participate in the Subordinated Bonds. Further, neither the Issuer or the Principal Adviser/ Lead Arranger nor any of their respective employees or agents makes or gives or purports to make or give any representation or warranty, expressed or implied, as to the merits of the Subordinated Bonds, or the purchase or

acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer or any other person mentioned in this Information Memorandum. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Subordinated Bonds and all other relevant matters, including but not limited to the information and data set out in this Information Memorandum, and each recipient should consult its own professional advisers.

This Information Memorandum includes certain historical information, estimates and projections or reports thereon derived from sources prepared by the Issuer and other publicly available information with respect to the Malaysian economy and certain other matters. Such information, estimates, and projections or reports have been included solely for illustrative purposes. No representation or warranty is made by the Issuer or its advisers as to the accuracy or completeness of any information, estimate and projection or report thereon derived from such and other third party sources and nothing contained herein shall be relied upon as a promise or representation by the Issuer or its advisers as to the past or the future.

All statements contained in this Information Memorandum that are not statement of historical facts constitute 'forward looking statements'. These statements include, among other things, discussion of the Issuer and business strategy and expectation concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources, financial position and settlement of indebtedness. All these statements are based on estimates and assumptions made by the Issuer that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of the Issuer and its subsidiary companies to be materially different from that expected or indicated by such statements and estimates, and no assurance is given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward looking statement in this Information Memorandum is not a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved.

All discrepancies in the tables included in this Information Memorandum between the amounts stated therein and totals thereof are due to rounding, and certain numbers appearing in this Information Memorandum are shown after rounding.

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APPENDIX Annual Report of the Issuer for the year ended 31 December 2008
Unaudited Condensed Interim Financial Statements of United Overseas Bank
(Malaysia) Bhd and its subsidiary companies as at 31 March 2009
RAM Rating Rationale

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GLOSSARY OF DEFINITIONS AND ABBREVIATIONS

The following definitions shall apply throughout this Information Memorandum except where the context otherwise requires:

Act	:	Companies Act, 1965 and includes any amendment, consolidation or reenactment thereof from time to time.
BAFIA	:	The Banking and Financial Institutions Act 1989, and includes any amendment, consolidation or reenactment thereof from time to time.
BNM	:	Bank Negara Malaysia.
Board	:	Board of Directors of UOB Malaysia.
CMSA	:	Capital Markets and Services Act, 2007.
Central Depository	:	BNM.
FAST	:	Fully Automated System for Issuing/Tendering.
Government	:	Government of Malaysia.
Issuer	:	UOB Malaysia.
Issuer Group	:	UOB Malaysia and its subsidiaries
Issuer's Parent Bank	:	United Overseas Bank Limited, Singapore.
Lead Arranger	:	UOB Malaysia.
MAS	:	Monetary Authority of Singapore
NPL	:	Non-performing loans
Principal Terms and Conditions	:	The Principal Terms and Conditions of the Subordinated Bonds.
Proposed Issue	:	The proposed issue of the Subordinated Bonds.
RAM	:	RAM Rating Services Berhad (Company No. 763588-T)
RENTAS	:	The scripless book-entries trading and funds transfer system known as Real Time Electronic Transfer of Fund and Securities operated by BNM as may be modified or revised or substituted from time to time by BNM.
RENTAS Rules	:	The Rules on the Scripless Securities under the RENTAS 2006 issued by BNM and as modified or revised or substituted from time to time by BNM.

RM and sen	:	Ringgit and sen respectively.
SC	:	Securities Commissions.
Subordinated Bonds	:	Subordinated Bonds of up to RM500 million Nominal Value with an option to increase the issue amount of up to RM800 million.
Subordinated Bondholders or Investors	:	The holders of the Subordinated Bonds.
Trust Deed	:	The Trust Deed entered or to be entered into between the Issuer and the Trustee constituting the Subordinated Bonds, which shall be administrated by the Trustee on behalf of the Subordinated Bondholders.
Trustee	:	Pacific Trustees Berhad (Company No. 317001-A)
UOB	:	United Overseas Bank Limited, Singapore.
UOB Group/Group	:	UOB and its subsidiaries
UOB Malaysia	:	United Overseas Bank (Malaysia) Bhd (Company No. 271809-K)

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1. EXECUTIVE SUMMARY

The summary below aims to provide an overview of the information contained in this Information Memorandum. As such, it does not contain all the information that may be important to you and should therefore be read in conjunction with this entire Information Memorandum.

1.1 Summary of UOB and UOB Malaysia

UOB was incorporated on 6 August 1935 as the United Chinese Bank. Founded by Datuk Wee Kheng Chiang, the Bank catered mainly to the Fujian community in its early years. The change of name was effected in 1965.

Over the past 74 years, UOB has grown from strength to strength. Through a series of acquisitions, it is now a leading bank in Asia. Besides Far Eastern Bank in Singapore, UOB's major banking subsidiaries in the region are United Overseas Bank (Malaysia), United Overseas Bank (Thai), PT Bank UOB Indonesia, PT Bank UOB Buana and United Overseas Bank (China). Today, the UOB Group has a network of over 500 offices in 18 countries and territories in Asia Pacific, Western Europe and North America.

UOB provides a wide range of financial services through its global network of branches, offices, subsidiaries and associates: personal financial services, private banking, commercial and corporate banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management, general insurance, life assurance and stockbroking services. UOB also has diversified interests in travel and leasing.

In Singapore, UOB is a market leader in the credit card business and the private residential home loan business. It is also a key player in loans to small and medium enterprises. Its fund management arm, UOB Asset Management, is one of Singapore's most awarded fund managers.

UOB is rated among the world's top banks by Moody's Investors Service, receiving B for financial strength, and Aa1 and Prime-1 for long-term and short-term bank deposits respectively on 30 September 2008. Additionally, Fitch Ratings had rated UOB's long term Issuer Default Rating at AA- on 23 June 2008, while Standard & Poor's rated UOB's counterparty credit at A+ on 22 May 2008. On 21 April 2009, Moody's Investors Service had revised the outlook for the bank financial strength ratings of the three Singapore Banks; DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited and UOB; to negative from stable. The downward revision was reflective of the deepening global economic downturn which would affect the asset quality and earnings of the three banks. Nonetheless, in view of the strong franchises, healthy credit profiles, liquid and well-capitalised balance sheets, and the benefit of a very high level of support from the Singaporean government, Moody's Investor Service expects the three banks to remain above average and their debt and deposit ratings to be solidly positioned within the Aa-rating band.

UOB plays an active role in the community, focusing on children, education and the arts. Its staff volunteerism programme was initiated in 2007. Through the UOB Heartbeat Run/Walk, UOB has raised funds for its named beneficiaries, including Very Special Arts Singapore which provides art programmes for people with special needs. UOB has also organised the prestigious Painting Of The Year Competition and Exhibition since 1982. In recognition of its

contributions to the arts, UOB was conferred the National Arts Council's Distinguished Patron of the Arts Award for four consecutive years since 2005.

As at 31 December 2008, the Group had total assets of S\$182,941 million and shareholders' equity of S\$15,573 million. Net profit after tax recorded for the year ended 31 December 2008 was at S\$1,937 million on the back of total income of S\$5,250 million. Customer loans (net of provisions) stood at S\$99,840 million, while customer deposits were at S\$118,171 million. About 36% of UOB Group's revenue was contributed by its overseas operations.

UOB Malaysia

UOB Malaysia was incorporated in Malaysia in July 1993. Through the years, UOB Malaysia has grown in size, both through organic business growth and also through mergers and acquisitions. In 1994, UOB Malaysia acquired the local operations of Lee Wah Bank Limited. In 1997, UOB Malaysia merged its business operations with the business operations of Chung Khiaw Bank (Malaysia) Bhd and enlarged its capital base to RM470 million. In 2002, following the UOB Group's acquisition of Overseas Union Bank Limited, the entire assets and business of Overseas Union Bank (Malaysia) Berhad was transferred to UOB Malaysia on 2 February 2002.

UOB is the ultimate holding company of UOB Malaysia with a direct shareholding of 44.7% and indirect shareholding of 55.3% as at 31 March 2009. Authorised share capital stood at RM2 billion comprising 2 billion shares of RM1.00 each with a total issued and paid up share capital of RM470 million.

The principal activities of UOB Malaysia are banking and related financial services, while the principal activities of its active subsidiaries include nominees and outsourcing services. UOB Malaysia provides an extensive range of commercial and personal financial services through its 41 branches nationwide: commercial lending, investment banking, treasury services, trade services, home loans, credit cards, wealth management, general insurance and life assurance. Currently, UOB Malaysia has a staff force of more than 3000 strong.

As at 31 December 2008, UOB Malaysia's total assets stood at RM41,425.5 million, gross customer loans and advances at RM28,439.3 million, customer deposits at RM30,011.9 million and shareholders' fund at RM2,985 million. UOB Malaysia recorded a net profit of RM388.8 million for the financial year ended 31 December 2008.

RAM had, in March 2009, reaffirmed UOB Malaysia's corporate rating of AA1 and P1 with a stable outlook.

1.2 Description of the Issue

The proposed Subordinated Bonds shall entail the issuance of up to RM500 million in nominal value with an option to allow the Issuer to increase the issuance amount to up to RM800 million in nominal value should the Issuer decide to issue a larger amount. The Proposed Issuance shall be issued at par, at a premium or at a discount for a tenure of 10 years from the date of issue ("Issue Date") of the Subordinated Bonds ("Maturity Date") on a 10 non-callable 5 basis. Coupon rate for the first 5 years up to (but excluding) the 5th anniversary date from the Issue Date ("5th Anniversary Date") shall be determined at the close of the private placement exercise or book building exercise in relation to the Subordinated Bonds ("Initial Coupon Rate").

On the 5th Anniversary Date and on every coupon payment date thereafter, the Issuer has an option, subject to the prior approval of BNM and MAS, to call on the whole, but not in part the Proposed Subordinated Bonds at 100% of the principal amount outstanding together with the accrued coupon payments.

Should the Issuer decide not to exercise the call, the holders of the Subordinated Bonds shall be entitled to a one time step-up coupon of 100 basis points from the Initial Coupon Rate from (and including) the 5th Anniversary Date and up to (but excluding) the date of early redemption or maturity date of the proposed Subordinated Bonds. Redemption shall be made in full by five equal and consecutive annual payment of an amount which is 20% of the nominal value of the Subordinated Bonds. Each of the annual redemption shall be subject to prior approval of BNM and MAS.

The proposed Subordinated Bonds shall be issued by private placement and/or book building without the issuance of a prospectus.

The proposed Subordinated Bonds will be in bearer form and in the denominations and multiples of RM1,000,000 each.

The proposed Subordinated Bonds will be represented at all times by a Global Certificate in bearer form (exchangeable for definitive bearer form only in certain limited circumstances) to be deposited with the Central Depository and will be traded under the Scripless Securities Trading System maintained by BNM.

The proposed Subordinated Bonds will not be listed on any stock exchange.

The proposed Subordinated Bonds shall not be offered or sold, directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under Schedule 6 or 7 and 9 of the CMSA.

1.3 Utilisation of Proceeds

The Subordinated Bonds are intended to qualify as Tier 2 capital of UOB Malaysia under the capital adequacy regulations of BNM and as Lower Tier 2 capital of UOB at a consolidated level pursuant to the requirements of the MAS.

The proceeds of the proposed Subordinated Bonds shall be used for UOB Malaysia's working capital, general funding and other corporate funding purposes.

1.4 Rating

As at the date hereof, RAM has assigned a long-term rating of AA2 and a short-term rating of P1 for the Proposed Issue.

1.5 Approvals Required

- (i) BNM's approval was obtained on 8 May 2009;
- (ii) SC's approval was obtained on 22 May 2009;
- (iii) UOB Malaysia's Board's approval for the Proposed Issue and for UOB Malaysia to act as the Lead Arranger for the Proposed Issue was obtained on 1 April 2009.

1.6 Potential Conflict of Interest and Appropriate Mitigating Measures

UOB Malaysia's role as the issuer of the Subordinated Bonds and as the Principal Adviser, Lead Arranger and Facility Agent for the Proposed Issue may appear to give rise to a potential conflict of interest. However, the effects of any such potential conflict are mitigated by the following factors:

- (i) the advisory work will be carried out by UOB Malaysia's Investment Banking Division, which functions as an independent business unit in accordance with high professional standards; and
- (ii) the Board is fully aware and has acknowledged, and deliberated on, the potential conflict of interest described herein. After due deliberation, the Board has agreed that UOB Malaysia shall assume the role of Principal Adviser, Lead Arranger and Facility Agent in relation to the Proposed Issue.

1.7 Key Financial Highlights of the Issuer Group for financial years ended 31 December 2007 and 31 December 2008

The following information is extracted from the audited statements of UOB Malaysia for the financial years ended 31 December 2007 and 31 December 2008:

	Audited	
	For the financial year ended	
	31 December 2008	31 December 2007
	RM'000	RM'000
Net interest income	963,183	868,786
Non-interest income	285,090	410,164
Profit before taxation	518,469	660,433
Profit after taxation	388,831	483,214
Loans, advances & financing (net of impairment)	27,586,016	25,004,640
Total assets	41,425,467	36,016,541
Shareholders' fund	2,985,066	2,744,170

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2 PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The principal terms and conditions are set out as follows:-

1. BACKGROUND INFORMATION

(a) Issuer

- (i) Name : United Overseas Bank (Malaysia) Bhd (“UOB Malaysia” or “Issuer”)
- (ii) Registered Address : Level 11 Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur
- (iii) Business Registration No. : 271809-K
- (iv) Date/Place of incorporation : 29 July 1993 / Malaysia
- (v) Date of Listing : Not applicable
- (vi) Status : Non-resident controlled company
Non-Bumiputera controlled company*

*as defined in Practice Note 4 of the Guidelines on the Offering of Equity and Equity-Linked Securities.
- (vii) Principal activities : The principal activities of UOB Malaysia are banking and related financial services. The principal activities of the active subsidiary companies are nominees and outsourcing services.
- (viii) Board of Directors as at 31 March 2009 : Wee Cho Yaw
Wee Ee Cheong
Lee Chin Yong, Francis
Ong Sea Eng, Terence
Lim Kean Chye
YABhg Tun Dato’ Seri Utama Dr Lim Chong Eu
Ng Kee Wei
Abdul Latif Bin Yahaya
Chan Kok Seong

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(ix)	Structure of shareholdings and names of shareholders as at 31 March 2009	:	<u>Shareholder</u> Chung Khiaw Bank (Malaysia) Bhd United Overseas Bank Limited ("UOB")	<u>Direct</u> 260 million 210 million	<u>%</u> 55.3 44.7	<u>Indirect</u> 260 million	<u>%</u> 55.3
(x)	Authorised and paid-up share capital as at 31 March 2009	:	<u>Authorised:</u> 2,000,000,000 ordinary shares of RM1 each			<u>RM</u> 2,000,000,000	
			<u>Issued and fully paid-up:</u> 470,000,000 ordinary shares of RM1 each			470,000,000	

2. PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

(a) Names of parties involved in the proposed transaction

- | | | | |
|--------|---|---|--|
| (i) | Principal Adviser/ Lead Arranger | : | UOB Malaysia |
| (ii) | Arranger(s) | : | Not applicable |
| (iii) | Valuers | : | Not applicable |
| (iv) | Solicitors | : | Adnan Sundra & Low |
| (v) | Financial Adviser | : | Not applicable |
| (vi) | Technical Adviser | : | Not applicable |
| (vii) | Guarantor | : | Not applicable |
| (viii) | Trustee | : | Pacific Trustees Berhad (Company No. 317001-A) |
| (ix) | Facility Agent | : | UOB Malaysia |
| (x) | Primary Subscriber(s) and amount subscribed | : | Not applicable as the subordinated bonds will not be issued under bought deal arrangement. |
| (xi) | Underwriter(s) and amount underwritten | : | The subordinated bonds are to be issued on non-underwritten basis. |

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- | | | | |
|------------|------------------------------------|---|--|
| (xii) | Central Depository | : | Bank Negara Malaysia (“BNM”) |
| (xiii) | Paying Agent | : | BNM |
| (xiv) | Reporting Accountant | : | Not applicable |
| (xv) | Others (please specify) | : | Not applicable |
| (b) | Facility description | : | <p>Subordinated Bonds for a nominal value of up to RM500 million with an option to increase the issue amount of up to RM800 million (hereinafter referred to as the “Subordinated Bonds”).</p> <p>The Subordinated Bonds are intended to qualify as Tier 2 capital of UOB Malaysia under the capital adequacy regulations of BNM and as Lower Tier 2 capital of UOB at a consolidated level pursuant to the requirements of the Monetary Authority of Singapore (“MAS”).</p> |
| (c) | Issue size (RM) | : | Up to RM500 million with an option to increase the issue amount of up to RM800 million. |
| (d) | Issue price (RM) | : | The Subordinated Bonds shall be issued at par, at a premium or at a discount to be determined prior to the issue date, and the issue price is calculated in accordance to FAST Rules. |
| (e) | Tenor of the facility/issue | : | 10 years from the date of issue (“Issue Date”) of the Subordinated Bonds (“Maturity Date”) on a 10 non-callable 5 basis. |

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- (f) **Interest/ coupon (%)** : Coupon rate for the first 5 years up to (but excluding) the 5th anniversary date from the Issue Date (“5th Anniversary Date”) shall be determined at the close of the private placement exercise or book building exercise in relation to the Subordinated Bonds (“Initial Coupon Rate”).
- Unless the Subordinated Bonds are fully redeemed on the 5th Anniversary Date, the holders of the Subordinated Bonds shall be entitled to a one time step-up coupon rate of 100 basis points from the Initial Coupon Rate (“Revised Coupon Rate”) from (and including) the 5th Anniversary Date and up to (but excluding) the date of early redemption or the Maturity Date of the Subordinated Bonds, whichever is earlier.
- (g) **Interest/ coupon payment frequency** : Semi-annually in arrears from the Issue Date (“Coupon Payment Dates”) with the last Coupon Payment to be made on the Maturity Date/ Call Exercise Date (as defined below).
- (h) **Interest/ coupon payment basis** : Actual/ 365 days basis.
- (i) **Yield to Maturity (%)** : To be determined at point of issuance. SC will be notified accordingly upon issuance.
- (j) **Security/collateral** : None.
- (k) **Details on utilisation of proceeds** : The proceeds of the Subordinated Bonds shall be used for UOB Malaysia’s working capital, general funding and other corporate funding purposes.
- (l) **Sinking fund** : None.
- (m) **Rating** : Indicative credit - AA2 rating assigned
- : Name of rating - RAM Rating Services Berhad (Company No. 763588-T)
- (n) **Form and denomination** : The Subordinated Bonds will be in bearer form and in the denominations and multiples of RM1,000,000 each.
- The Subordinated Bonds will be represented at all times by a permanent Global Certificate in bearer form (exchangeable for definitive bearer form only in certain limited circumstances) to be deposited with the Central Depository and will be traded under the Scripless Securities Trading System maintained by BNM.
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- (o) **Mode of issue** : Private placement and/or book building without prospectus.
- The Subordinated Bonds shall be issued in accordance to the Rules on FAST and will be issued and traded through Real Time Electronic Transfer of Funds and Securities ("RENTAS").
- (p) **Selling restriction** : The Subordinated Bonds shall not be offered or sold, directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under:-
- a. Schedule 6; or
 - b. Schedule 7; and
 - c. Schedule 9
- of the Capital Markets and Services Act 2007.
- (q) **Listing status** : The Subordinated Bonds will not be listed on any exchange.
- (r) **Minimum level of subscription (RM or %)** : 50% of the Subordinated Bonds to be issued.
- (s) **Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained** : BNM's approval was obtained on 8 May 2009.
- (t) **Conditions precedent** : The issuance of the Subordinated Bonds shall be subject to the following conditions, including but not limited to:-
- (i) Delivery of Issuer's Memorandum and Articles of Association, board resolution and all other relevant constitutional documents of the Issuer, in form and substance satisfactory to the Lead Arranger;
 - (ii) A signed copy of each of the transaction documents which have been executed by or on behalf of all parties hereto and thereto and stamped (if required);
 - (iii) Written approval from BNM for the Subordinated Bonds to be classified as Tier 2 capital;
 - (iv) Written approval from the Securities Commission for the issuance of the Subordinated Bonds;
 - (v) Representation & Warranties remain true and correct;
 - (vi) No Events of Default has occurred; and
 - (vii) A legal opinion from the solicitors for the Lead
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Arranger addressed to the Trustee and the Lead Arranger (a) on the validity, legality and enforceability of the Subordinated Bonds and the Transaction Documents, and (b) that all conditions precedent have been fulfilled.

- (u) **Representations and Warranties** : Representations and warranties shall include but not limited to the following:-
- (i) The Issuer is duly incorporated and validly in existence and has the power and authority to carry out its business;
 - (ii) The Issuer has the power to enter into the transaction documents in relation to the Subordinated Bonds and exercise its rights to perform its obligations under the transaction documents in relation to the Subordinated Bonds;
 - (iii) The Subordinated Bonds have been duly authorised, executed and delivered and will constitute valid and binding obligations of UOB Malaysia;
 - (iv) No event has occurred which would constitute an Event of Default under the Subordinated Bonds or which with the giving of notice or the lapse of time or other condition would (subsequent to the date of the Trust Deed) constitute an Event of Default;
 - (v) All consents, approvals, authorisations of any regulatory authorities which are required for the issue of the Subordinated Bonds and the performance of the obligations of UOB Malaysia under the Subordinated Bonds documentation have been obtained and are in full force and effect; and
 - (vi) UOB Malaysia will comply with the conditions (if any) imposed by the relevant regulatory authorities in connection with the issuance of the Subordinated Bonds.
- (v) **Events of Default** : Events of default shall be limited to:-
- (i) Non-payment of any debt obligations under the Subordinated Bonds when due and payable and such default continues for 14 days;
 - (ii) if –
 - (a) a court order is made or an effective resolution is passed for the winding up of the Issuer;
 - (b) the Issuer shall file a petition to take advantage of any insolvency statute (which for this purpose includes under any insolvency related provisions in any

companies statute).

Enforcement Events : Upon the occurrence of the Event of Default described in (i) under “Events of Default” clause above, subject to the terms of the Trust Deed, the sole remedy of the Trustee shall be to institute proceedings in Malaysia for the winding-up of UOB Malaysia, provided that neither the Trustee nor any of the bondholders shall have the right to accelerate payment of the Subordinated Bonds upon the occurrence of the Event of Default described in (i) under “Event of Default” above or any default by UOB Malaysia in the performance of any condition, provision or covenant under the Subordinated Bonds or Trust Deed or the other ancillary agreements.

Upon the occurrence of the Events of Default described in (ii) under “Events of Default” clause above, subject to the terms of the Trust Deed, the Trustee may by written notice to UOB Malaysia declare that the Subordinated Bonds shall immediately become due and payable at their respective Principal amount outstanding together with the accrued Coupon Payment notwithstanding the stated maturity of the Subordinated Bonds.

(w) **Principal terms and conditions for warrants** : Not applicable.

(x) **Other principal terms and conditions for the issue** :

- i) Covenants : Shall include but not be limited to the following:-
- (i) Comply with all provisions of the Subordinated Bonds and all other documentation under the Subordinated Bonds to which it is a party including but not limited to the Trust Deed in respect of the Subordinated Bonds;
 - (ii) To immediately notify the Trustee in the event that UOB Malaysia becomes aware of the following events:
 - a) any Event of Default or that such other right or remedy under the terms, provisions and covenants of the Subordinated Bonds becomes immediately enforceable;
 - b) any circumstances that would materially prejudice UOB Malaysia’s ability to perform its obligations under the Subordinated Bonds;
 - c) any substantial change in the nature of the business of UOB Malaysia;

- d) any change in the utilisation of the proceeds of the Subordinated Bonds;
- e) any other matter that may materially prejudice the interests of the Investors; and
- f) any change in the withholding tax position or taxing jurisdiction of UOB Malaysia;
- (iii) Maintain an accounting system and keep adequate and proper books and accounts at all times in compliance with applicable statutory requirements and in accordance with generally accepted accounting principles in Malaysia;
- (iv) Deliver to the Trustee a copy of its annual audited accounts within 180 days after the end of each financial year and any other accounts, report, notice, statement or circular issued to UOB Malaysia's shareholders;
- (v) Deliver to the Trustee annually a certificate that UOB Malaysia has complied with its obligations under the Subordinated Bonds documents and the terms and conditions of the Subordinated Bonds and there did not exist or had not existed, from the Issue Date, any event of default and if such is not the case, to specify the same;
- (vi) Give to the Trustee any information which the Trustee may require in order to discharge its duties and obligations as Trustee under the Trust Deed relating to UOB Malaysia's affairs to the extent permitted by law;
- (vii) Exercise reasonable diligence in carrying out its business in a proper and efficient manner which should ensure, amongst others, that all necessary approvals or relevant licenses are obtained;
- (viii) Maintain a paying agent in Malaysia;
- (ix) Procure that the paying agent shall notify the Trustee in the event that the paying agent does not receive payment from UOB Malaysia on the due dates as required under the Trust Deed and the terms and conditions of the Subordinated Bonds; and
- (x) Redeem in full or in part (where relevant and in accordance with the Redemption Schedule clause herein) all outstanding Subordinated Bonds in accordance with the terms and conditions of the Subordinated Bonds.

ii) Status of Subordinated Bonds.

: The Subordinated Bonds will constitute direct and unsecured obligations of UOB Malaysia, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Bonds, to all deposit liabilities and other liabilities of UOB Malaysia except all other present and future unsecured and

subordinated obligations of which by their terms rank pari passu in right of and priority of payment with or subordinated to the Subordinated Bonds. The rights of the holders of the Subordinated Bonds to payments on the Subordinated Bonds will, in the event of a distribution of assets in the winding-up or liquidation of the Issuer, be subordinated to the claims of Senior Creditors (as defined below) and rank senior to the share capital of the Issuer (including Tier 1 capital instruments). The Subordinated Bonds will rank pari passu with all subordinated debt and/or other Syariah compliant financing instruments issued by the Issuer in the future, which are approved as qualifying as Tier 2 capital of the Issuer pursuant to the requirements of BNM and also qualifying as Lower Tier 2 capital of UOB at a consolidated level pursuant to the requirements of the MAS.

“Senior Creditors” means creditors of the Issuer (including depositors) other than those creditors whose claims are expressed to rank pari passu with or subordinated to the claims of the holders of the Subordinated Bonds.

- iii) Availability Period : Within six (6) months from the date of SC’s approval
- iv) Redemption at the Option of UOB Malaysia (“Call Option”) : UOB Malaysia may, at its option, subject to the prior approval of BNM and MAS, redeem in whole, but not in part the Subordinated Bonds on the 5th Anniversary Date and on every Coupon Payment Date thereafter at 100% of the Principal Amount outstanding together with accrued Coupon Payment (“Call Exercise Date”).

However, should UOB Malaysia at its sole discretion decide not to exercise the Call Option on the 5th Anniversary Date, the holders of the Subordinated Bonds shall be entitled to the Revised Coupon Rate with effect from (and including) the 5th Anniversary Date and up to (but excluding) the date of early redemption in full or the Maturity Date of the Subordinated Bonds, whichever is earlier.

- v) Redemption Schedule : Unless the Call Option is exercised by UOB Malaysia, the Subordinated Bonds shall be redeemed in full by five (5) equal and consecutive annual payments of an amount which is twenty percent (20%) of the nominal value of the Subordinated Bonds.

The first redemption is to commence on the 6th anniversary from the Issue Date, and subsequent redemption shall be at consecutive annual intervals

from that date. The final redemption shall be on the date falling on the 10th anniversary of the Issue Date. All payment shall be made on the applicable Coupon Payment Date(s).

Each of the annual redemption shall be subject to the prior approval of BNM and MAS. For avoidance of doubt, in the event the approvals of BNM and MAS have not been obtained, no annual redemption shall be made and such non-redemption shall not constitute an Event of Default but shall be regarded as a deferment of payment and the Revised Coupon Rate shall be applicable.

- vi) Trading : The Subordinated Bonds shall be tradable on the secondary market on a willing-buyer willing-seller basis under RENTAS operated and managed by BNM.
- vii) Payment : All payments in respect of the Subordinated Bonds will be made by the Paying Agent on behalf of UOB Malaysia in immediately available funds. All payments in respect of the Subordinated Bonds shall be made without withholding or deductions (for or on account of any present and future tax duty or charge of whatsoever nature imposed or levied by or on behalf of the Government of Malaysia, or any authority thereof or therein having power to tax and whether in respect of set-off, counter claim, duties, taxes, charges or otherwise whatsoever), unless such withholding or deduction is required by law. If a deduction or withholding is required by law to be made by UOB Malaysia, UOB Malaysia shall have no obligation to gross up on any payment to relieve any payee of such deduction or withholding in respect of the Subordinated Bonds or to pay any additional amounts in respect of any such deduction or withholding for payments of Principal amount and Coupon Payment for or on account of any such taxes or duties.
- viii) Waiver of Set-Off Right; Payment Void : No holder of the Subordinated Bonds may exercise, claim or plead any right of set-off, counter-claim, deduction, withholding or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Bonds, and no holder of the Subordinated Bonds shall set-off, deduct, withhold or retain any amount owing by it to the Issuer against any amount owing to it by the Issuer under the Subordinated Bonds. Each holder of the Subordinated Bonds, by his acceptance of the Bonds, shall be deemed to have waived all such rights of set-off, counter-claim, deduction, withholding or retention to the fullest extent

permitted by law. If at any time any holder of the Subordinated Bonds receives payment or benefit of any sum in respect of the Subordinated Bonds as a result of the exercise or carrying into effect of any such set-off, counterclaim, deduction, withholding or retention (whether or not such exercise or carrying into effect is mandatory under applicable law), or if at any time any holder of the Subordinated Bonds receives payment or benefit of any sum in respect of the Subordinated Bonds other than in accordance with the provisions described above under "Enforcement Events", the payment of such sum or receipt of such benefit shall, to the fullest extent permitted by law, be deemed void for all purposes and such holder of the Subordinated Bonds, by acceptance of any Subordinated Bonds, shall agree as a separate and independent obligation that any such sum or benefit so received shall be paid or returned by such holder of the Subordinated Bonds to the Issuer upon demand by the Issuer, or, in the event of the winding-up of the Issuer, the liquidator of the Issuer, whether or not such payment or receipt shall have been deemed void hereunder. Any sum so paid or returned shall then be treated for purposes of the Issuer's obligations as if it had not been paid by the Issuer, and its original payment or the original benefit previously received by the relevant holder of the Subordinated Bonds as a result of any such set-off, counterclaim, deduction, withholding or retention shall be deemed not to have discharged any of the obligations of the Issuer under the Subordinated Bonds.

- ix) Further Issues : The Issuer may from time to time raise additional subordinated bonds which contain different or additional rights for bondholders thereof including acceleration rights provided that such subordinated bonds rank pari passu in right and priority of payment with or subordinated to the Subordinated Bonds in the case of any distribution of assets in any winding up of the Issuer.
- x) Documentation : The Subordinated Bonds shall be evidenced inter-alia, by the following Issue Documents:-
(i) Subscription Agreement/Letter;
(ii) Depository and Paying Agency Agreement;
(iii) Trust Deed; and
(iv) Any other transaction documents as may be advised by the solicitors.
- xi) Governing Law and Jurisdiction : The Law of Malaysia and the exclusive jurisdiction of the courts of Malaysia.

3. INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with the other matters set out in this information memorandum, the risk analysis set forth below. This risk analysis is not exhaustive and investors are advised to conduct their own analysis, checking and research and accordingly, form their own opinion.

3.1 Considerations relating the Issuer and its business

Prior to investing in the Subordinated Bonds, prospective investors should pay particular attention to the fact that Issuer, and its activities, are governed by the legal and regulatory, and business environment in Malaysia.

The Issuer's business, financial condition and/or results of operations could be materially and adversely affected by these factors:-

3.1.1 Business Risk

As a banking institution providing retail, commercial and corporate banking and treasury products and services, the Issuer is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly divided into:-

- (a) Market risk, which is defined as the potential loss in market value of a given portfolio that can be expected to be incurred arising from adverse movement in the level of market prices or rates; the three key components being interest rate risk, foreign currency risk and equity risk.
- (b) Balance sheet risk, which is defined as the potential change in earnings arising from the effect of movements in interest rates on the structural banking book of the Issuer that is not of trading nature.
- (c) Credit risk, which is defined as the potential loss arising from any failure by a borrower or a counterparty to fulfill their financial obligations, as and when they fall due. Credit risk is inherent in lending, trade finance, investment, treasury activities and other credit-related activities undertaken by the Issuer.
- (d) Operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Potential loss may be in the form of financial loss or other damages.
- (e) Legal and regulatory risk, which is defined as the risk of breaches of applicable laws and regulatory requirements, breaches of obligations of fidelity, unenforceability of counterparty obligations, and inappropriate documentation of contractual obligations.

As the management of risk is fundamental to the financial soundness and integrity of the Issuer, risk evaluation forms an integral part of the Issuer's business strategy development. The Issuer's risk management philosophy is that all risks taken must be identified, measured, monitored and managed within a robust risk management framework and that returns must commensurate with the risks taken.

A description of the Issuer's risk management structure is as follows:-

The Board has the overall responsibility of determining the type and level of business risk that the Issuer undertakes. The Board has delegated to various committees the authority to formulate, review and approve policies on monitoring and managing risks exposures. The major policy decisions and proposals on risk exposures approved by these Committees are subject to review by the Executive Committee ("EXCO") of the Board. The Board has appointed the Risk Management Committee to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning. The various committees and divisions under the risk management structure are as follows:-

- In-Country Credit Committee deals with approval of credit applications and review of existing credit portfolio;
- Credit Management Committee deals with credit risk matters;
- Asset Liability Committee ("ALCO") formulates, reviews and approves policies and strategies regarding the balance sheet structure, liquidity needs and trading activities;
- Risk Management Division acts as catalyst for the development and maintenance of sound risk management policies, strategies and procedures; and
- Legal & Compliance Division performs the role of safeguarding the Issuer against regulatory risks through formulation of appropriate policies for compliance with all applicable laws, regulations and professional standards.

Credit Risk Management

The EXCO, under delegated authority from the Board, approves credit policies, guidelines and procedures to control and monitor such risks. It has day-to-day responsibility for identifying and managing portfolio and risk concentration issues, including industry sector exposure. The risk parameters for accepting credit risk are clearly defined and complemented by policies and processes to ensure that the Issuer maintains a well diversified and high quality credit portfolio.

Balance Sheet Risk Management

The ALCO, under delegated authority from the Board, approves policies, strategies and limits in relation to the management structural balance sheet risk exposure. This risk is monitored and managed within a framework of approved policies and limits, and is reported monthly to ALCO. The

decisions of ALCO and highlights of its monthly risk management reports are reviewed by the Board and Risk Management Committee.

Liquidity Risk Management

Liquidity risk is managed within a framework of policies, controls and limits approved by the ALCO which are in line with the policies of the Issuer's Group and which is also adequate to meet the requirements under BNM's New Liquidity Framework. These policies, controls and limits ensure that the Issuer maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The management of liquidity is carried out using a prudent strategic approach to manage the Issuer's funding requirement.

Market Risk Management

Market risk is managed using a framework of risk management processes based on market risk management policies and risk control procedures, as well as risk and loss limits. Mark-to-market technique is used to revalue marketable securities, equities and foreign currency positions. Mark-to-market of trading positions is then compared against predetermined market risk limits. The market risk limits are set after taking into account the risk appetite of the Issuer, and the risk-return relationship. Risk and loss limits are proposed by every trading division, reviewed by the Market Risk Management Department and approved by ALCO annually. ALCO also reviews and approves new limits or changes to existing limits, and as and when these are proposed. The trading positions and limits are regularly reported to the Management.

Operational Risk Management

Operational risk is managed through a framework of policies, techniques and procedures as approved by Issuer's Parent Bank. There are periodic risk management reports reviewed by senior management and Risk Management Committee.

This framework of techniques and procedures encompasses the following:-

- the building of Operational Risk Profiles (ORPs);
- conduct of Operational Risk Self Assessment (ORSA) based on ORPs;
- development of an Operational Risk Action Plan (ORAP);
- the monitoring of Key Operational Risk Indicators (KORIs);
- the collection and analysis of risk events/loss data; and
- the process for monitoring and reporting operational risk issues.

3.1.2 Market Volatility, Political and Economic Factors

Similar to its competitors, the Issuer is exposed to the adverse developments in financial markets, political and economic conditions in Malaysia, which in turn could materially affect the financial and operational condition as well as the overall profitability of the Issuer. Political and economic uncertainties include unstable political system, risk of war, expropriation, nationalization, renegotiation or nullification of existing contracts, volatility in interest and currency exchange rates, and changes to methods of taxation.

3.1.3 Regulatory Constraints

The Issuer's core business is subject to regulatory purview and measures imposed by the relevant regulatory authorities in Malaysia. Such regulatory measures include restrictions on operations, e.g. BNM imposes a maximum permissible credit exposure to a single customer group and maximum sectorial credit in respect of financing activity, and measures requiring maintenance of reserves and minimum capital adequacy requirement.

The regulatory measures presently imposed, and as may be introduced from time to time, by the regulatory authorities could affect the Issuer's business activities. For example, a change by BNM in credit policies could require the Issuer to scale down its operations in a particular business area. Further, any change in the rules relating to minimum capital adequacy requirement, e.g. increase in minimum capital adequacy ratio or a change in the computation and/or composition of regulatory capital, could adversely affect the operations of the Issuer if the Issuer's internally generated capital is insufficient to meet the increased capital fund requirement. Under such circumstances, the Issuer may need to raise fresh capital in order to meet the additional capital requirement.

3.1.4 Competition

The Malaysian banking industry operates in a very competitive environment fostered by BNM's policies. BNM has in March 2001, launched The Financial Sector Master Plan ("FSMP"), which sets out broad strategies for the development of the financial services and insurance sectors over a ten-year period, to:

- develop a core set of strong domestic banking institutions and a more market based consumer protection framework, resulting in the consolidation of the domestic banking sector into nine banking groups;
- strengthen the domestic financial sector and to remove the restrictions on incumbent foreign banks in the Malaysian banking market, hence, allowing the Issuer to increase its branch network to 41 branches ; and
- to liberalise the banking sector and to increase foreign participation in Malaysia and encourage domestic bank to expand into foreign markets.

Whilst the number of domestic banking institutions has been reduced through consolidation and with the liberalisation of the banking sector, the Issuer faces increased competition from other international banks in addition to the existing domestic and foreign banks already in Malaysia.

Additionally, foreign and domestic Islamic banks are now allowed to offer/perform products and services that are similar to those of the Issuer.

While the Issuer believes that it has formulated strategies to compete effectively in the market place, the Issuer's future growth would inevitably be subject to competition from other service providers and also customer preference.

3.1.5 Changes in Accounting Standards

The changes in accounting standards may adversely affect the Issuer.

On 1 January 2008, the Issuer adopted the following revised Financial Reporting Standards ("FRSs"), amendment to FRS and Interpretations :-

FRS 107: Cash Flow Statements
FRS 111: Construction Contracts
FRS 112: Income Taxes
FRS 118: Revenue
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
FRS 134: Interim Financial Reporting
FRS 137: Provisions, Contingent Liabilities and Contingent Assets
Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1: Changes in Existing, Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Similar Liabilities
IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7: Applying the approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8: Scope of FRS 2

The revised FRS, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Issuer.

3.1.6 New Basel Capital Accord ("Basel II") Implementation

BNM had on 17 September 2004 reiterated a two-phased approach for implementing Basel II in Malaysia whereby under the first phase, banking institutions would be required to adopt the 'Standardised Approach' for credit risk in 2008 and in the second phase, qualified banking institutions would be

allowed to migrate directly to the 'Internal Ratings Based Approach' in January 2010 without having to comply with the 'Standardised Approach' for credit risk in 2008.

Over the last few years, as part of the Issuer plans to adopt best practice in risk management, substantial investments and significant progress were made in aligning to the requirements of the International Convergence of Capital Measurement and Capital Standards framework (Basel II). At the same time, the Issuer has mapped all its business activities to the business lines defined by Basel II under the Standardised Approach for operational risk.

The Issuer has, for the purposes of MAS reporting, implemented the Foundation Internal ratings-Based ("FIRB") approach vis-a-vis the Basel II framework with effect from 1 January 2008. The Issuer, however, is still reporting to BNM using the Basel I framework.

3.1.7 Liquidity and Short Term Funding Sources

The Issuer's balance sheet is mainly funded by customer deposits, which accounted for 79.6% and 75.2% of its total interest-bearing funding as at financial year ended 2008 and 2007 respectively. The Issuer's loan-to-deposit ("LD") ratio stood at 95% for the financial year ended 2008, against 105% for the financial year ended 2007. However, excluding the self-financing bankers acceptances loans, the LD ratios were 77.0% and 83.1% for 2008 and 2007 respectively.

3.2 Considerations relating to the Subordinated Bonds

3.2.1 Issuer's Ability to Meet Its Obligations under the Subordinated Bonds

Potential investors should note that the expected payment obligations that are payable from the Subordinated Bonds is payable out of the proceeds generated from the business operations of the Issuer, that are subject to risks mentioned in Section 3.1 above.

3.2.2 Rating of the Subordinated Bonds is No Guarantee of the Issuer's Paying Ability

RAM has assigned a long term rating of AA2 for the Subordinated Bonds.

It is a condition to the issuance that the Subordinated Bonds be rated. However, a rating is not a recommendation to purchase, hold or sell the Subordinated Bonds, and any downgrade or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Subordinated Bonds.

The Subordinated Bonds are subject to rating reviews by RAM throughout the tenure of the Subordinated Bonds. As a result of these reviews, there can be no assurance that the current rating of the Subordinated Bonds will remain and there is a possibility that the ratings may be revised or withdrawn by RAM if circumstances in the future so warrant.

3.2.3 Liquidity of the Subordinated Bonds

The Subordinated Bonds is a new issue of securities and as such, there is currently no secondary trade for the Subordinated Bonds. Furthermore, there can be no assurance as to the liquidity of the Subordinated Bonds, the ability of holders to sell their Subordinated Bonds or the prices at which holders would be able to sell their Subordinated Bonds in the secondary market subsequent to issuance.

The Subordinated Bondholders should also note that the Subordinated Bonds will not be listed on Bursa Securities, but will be traded under RENTAS; and also governed by selling restrictions, which are more fully set out in Section 6 “Selling Restrictions” below.

Accordingly, the purchase or subscription of the Subordinated Bonds is suitable only for investors who can bear the risks associated with a lack of liquidity in the Subordinated Bonds apart from the financial and other risks associated with an investment in the Subordinated Bonds.

3.2.4 Bondholders’ Claims to the Right of Payment are Subordinated

Under BNM’s Tier 2 guidelines, in order to qualify as Tier 2 capital of the Issuer, the Subordinated Bonds and the Subordinated Bondholders’ rights thereunder consequently are subordinated to those of all other unsubordinated creditors of the Issuer and in a winding-up or liquidation scenario, will rank senior only to the share capital of the Issuer and other instruments that rank equally with the share capital of the Issuer.

In the case of default in the payment of principal or interest on the Subordinated Bonds, the holders of the Subordinated Bonds will have no right to enforce all payment obligations under the Subordinated Bonds other than by winding-up proceedings against the Issuer.

The Subordinated Bondholders’ may not set off, counter-claim, deduct, withhold or retain in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Bonds and shall not set-off, deduct, withhold or retain any amount owing by it to the Issuer against any amount owing to it by the Issuer under the Subordinated Bonds.

3.2.5 No Default Interest

There will be no default interest payable on the Subordinated Bonds in the event that any interest is not received by the Subordinated Bondholders on the due date. However, interest payable on the Subordinated Bonds will continue to accrue until the same is settled by the Issuer.

3.2.6 No Gross Up of Withholding Tax

All payments by the Issuer under the Subordinated Bonds shall be made subject to withholding or deductions for or on account of any present or

future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions, or any authority thereof or therein having power to tax. Under the terms of the Subordinated Bonds, there is no grossing-up by the Issuer, whereby in the event that any withholding or deduction is required by law, the Issuer will not make such additional amount so that the payee will receive the full amount which the payee would have received if no such withholding or deductions was made.

3.2.7 No Limitation on Borrowings

In line with BNM's guidelines which state that there should be no restrictive covenants for the Subordinated Bonds, there will be no limitation on the Issuer under the Subordinated Bonds to incur further borrowings/indebtedness.

3.2.8 Redemption subject to BNM and MAS approval

The Subordinated Bonds provides for an optional redemption feature to the Issuer ("Call Option"). The Issuer has the option to redeem the Subordinated Bonds in whole (but not in part) on any interest payment date falling on or after the 5th Anniversary Date. Potential investors should take into consideration re-investment risk should the Issuer exercise the Call Option.

In the event the Issuer decides not to exercise the Call Option, the Subordinated Bonds are subject to five equal consecutive annual redemptions equivalent to 20% of the nominal value of the Subordinated Bonds ("Scheduled Redemption").

Both the Call Option and each redemption under the Scheduled Redemption is subject to the prior approval of BNM and MAS. Investors should take note that in the event the approvals of BNM and MAS has not been obtained, no annual redemption shall be made and such non-redemption shall not constitute an Event of Default but shall be regarded as a deferment of payment and the Revised Coupon Rate shall apply.

3.3 General Considerations

3.3.1 Change in Law

The Proposed Issue is based on Malaysian law, tax and administrative practice in effect at the date hereof. No assurance can be given that Malaysian law, tax or administrative practice will not change after the date hereof or that such change will not adversely impact the treatment of the Subordinated Bonds.

3.3.2 Forward Looking Statements

This Information Memorandum contains forward-looking statements, i.e. those other than statements of historical facts. Although the Board believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will prove to be

correct. Any differences in the expectations of the Issuer from its actual performance may result in the Issuer's financial and business performances and future plans to be materially different from those anticipated.

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4. DESCRIPTION OF THE ISSUER

4.1 History and Background

UOB Malaysia was incorporated in Malaysia in July 1993. Through the years, UOB Malaysia has grown in size, both through organic business growth and also through mergers and acquisitions. In 1994, UOB Malaysia acquired the local operations of Lee Wah Bank Limited. In 1997, UOB Malaysia merged its business operations with the business operations of Chung Khiaw Bank (Malaysia) Bhd and enlarged its capital base to RM470 million. In 2002, following the UOB Group's acquisition of Overseas Union Bank Limited, the entire assets and business of Overseas Union Bank (Malaysia) Berhad ("OUBM") was transferred to UOB Malaysia on 2 February 2002.

UOB Malaysia currently operates 41 branches nationwide. UOB Malaysia offers an extensive range of commercial and personal financial services through its branches as well as through its subsidiaries and associate companies: commercial lending, investment banking, treasury services, trade services, home loans, credit cards, wealth management, general insurance and life insurance.

4.2 Corporate Information

4.2.1 Principal Place of Business

The registered office of the Issuer is located at Level 11, Menara UOB, Jalan Raja Laut, 50350 Kuala Lumpur.

The Issuer's Head Office is at Menara UOB and it has 41 branch offices throughout Malaysia.

4.2.2 Share Capital and Changes in Share Capital

As at 31 December 2008, the authorised and issued and fully paid-up share capital of the Issuer are as follows:

Authorised Share Capital	:	RM2,000,000,000 ordinary shares of RM1.00 each
Issued and fully paid-up Share Capital	:	RM470,000,000 ordinary shares of RM1.00 each

4.2.3 Shareholders and Shareholding Structure of the Issuer

<u>Shareholder</u>	<u>Direct</u>	<u>%</u>	<u>Indirect</u>	<u>%</u>
Chung Khiaw Bank (Malaysia) Bhd (“CKBM”)*	260 million	55.3	-	-
UOB	210 million	44.7	260 million	55.3

*CKBM is 100% owned by UOB.

4.2.4 Existing Subordinated Liabilities

Apart from this Proposed Issuance, the Issuer has no existing subordinated liabilities.

4.3 Directors

4.3.1 Board of Directors – UOB Malaysia

- Wee Cho Yaw (Chairman)
- Wee Ee Cheong
- Ong Sea Eng, Terence
- Lee Chin Yong, Francis
- YABhg Tun Dato’ Seri Utama Dr Lim Chong Eu
- Ng Kee Wei
- Lim Kean Chye
- Abdul Latif bin Yahaya
- Chan Kok Seong

4.3.2 Directors’ Profiles

Wee Cho Yaw

Mr Wee Cho Yaw, a career banker with more than 40 years of experience, is the Chairman of UOB Malaysia. Mr Wee is the Chairman of UOB since 1974 and a Director of the UOB in Singapore since 1958. He is a Chairman of UOB Group subsidiaries, Far Eastern Bank Limited, United Overseas Insurance Limited and United Overseas Bank (Thai) Public Company Limited. He is also a Chairman of Haw Par Corporation Limited, UOL Group Limited, Hotel Plaza Limited, United Industrial Corporation Limited and Singapore Land Limited and its subsidiary, Marina Centre Holdings Private Limited and a President Commissioner of PT Bank UOB Indonesia and PT Bank Buana Indonesia Tbk. He is the Honorary President of Singapore Chinese Chamber of Commerce & Industry, Pro-Chancellor of Nanyang Technological University and President of Singapore Federation of Chinese Clan Associations. The Businessman Of the Year award was conferred twice on Mr Wee at the Singapore Business Awards in 1990 and 2001. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community. He was conferred Honorary Doctor of Letters by the National University of Singapore in 2008.

Wee Ee Cheong

Mr Wee Ee Cheong, a professional banker, is the Deputy Chairman of UOB Malaysia. He holds a B.Sc (Business Administration) and Master of Arts (Applied Economics) from The American University, Washington D.C. Mr Wee has been a Board member of UOB since 1990. Mr Wee served as the Deputy Chairman and President of UOB from 2000 to April 2007 and was appointed as Chief Executive Officer (“CEO”) on 27 April 2007. He currently holds the position of Deputy Chairman and CEO of UOB. He is the director of several UOB subsidiaries and affiliates, including Far Eastern Bank Limited, United Overseas Insurance Limited, UOB Life Assurance Limited and United Overseas Bank (Thai) Public Company Limited. He is the Chairman of United Overseas Bank (China) Limited and a commissioner of PT Bank UOB Buana Tbk. Mr Wee also sits on the boards of INSEAD East Asia Council & International Council and the Institute of Banking & Finance. He is a council member of the Association of Banks in Singapore and the Singapore Chinese Chamber of Commerce & Industry. He had previously served as Deputy Chairman of Singapore’s Housing & Development Board and Director of Port of Singapore Authority. He was also a former Director of ASEAN Supreme Fund.

Ong Sea Eng, Terence

Mr Ong Sea Eng holds a Bachelor of Accountancy degree from the then University of Singapore. He joined the Group in 1982 as Senior Manager in charge of Correspondent Banking and Settlement Department. In 1986, he was seconded to be the General Manager of Discount Company of Singapore, an associate company of UOB. He has also headed the Government Securities & Bonds Department, Gold/Bullion & Futures Division and Foreign Exchange/Treasury Division. He was promoted to Senior Vice President in 1990, and to Executive Vice President in 1996. In January 2000, he was promoted to Senior Executive Vice President. He is responsible for the overall management, profitability and growth of UOB’s global treasury and asset management operations.

Lee Chin Yong, Francis

Mr Lee Chin Yong joined UOB Group on 16 September 1980. During his 28 years of service, he has served in several senior managerial positions within the Group. He was appointed Head of Consumer Services in 1991. In August 1996, he was appointed Deputy Chief Executive Officer of UOB Malaysia. He became the Chief Executive Officer of UOB Malaysia on 1 September 1998. He was appointed the Director & Chief Executive Officer of the enlarged UOB Malaysia following the merger of UOB Malaysia and OUBM on 2 February 2002. He held the position as Director & Chief Executive Officer of UOB Malaysia till 16 April 2003 following which he took up the position of Senior Executive Vice President – International of UOB on 16 April 2003. Prior to joining the UOB Group, he was a Manager in Credit Corporation (M) Bhd for 3 years.

YABhg Tun Dato’ Seri Utama Dr Lim Chong Eu

Tun Dr Lim studied at the Penang Free School and was a Queen’s Scholar in 1937. He obtained his M.B. Ch.B degree from Edinburgh University in 1944. During World War Two he served in China under Dr Robert K S Lim, who

was the Army Surgeon General. On his return to Malaya in 1947, he worked with his father, Dr Lim Chwee Leong, in Private Medical Practice at Su Beng Dispensary Penang. He became involved in many sporting and social activities and was a Medical Officer of the Malayan Auxillary Airforce from 1951 to 1954. He was a member and also a past President of the Penang Medical Practitioners Society. He was an active Member of the Malayan Medical Council for many years. He served on the Penang Legislative Council and became a member of the State Executive Council as well as a member of the Federal Legislative Assembly. He was a founder member of the Radical Party and later joined the MCA and was elected the President of the Malayan Chinese Association in 1958. In 1962 he founded the United Democratic Party. During this period, he was elected to serve on the State Assembly and the Federal Parliament. In 1966 the party developed into the Gerakan Rakyat Malaysia which won the Penang State Elections in 1969. Tun Dr Lim became the Chief Minister of Penang and the Chairman of the Penang Development Corporation in which he served from 1969 to 1990. He currently holds the position of Chairman/Director in various business organisations.

Ng Kee Wei

Mr Ng Kee Wei attended a teacher training course at the Confucian Middle School and KKM School of Commerce, Kuala Lumpur. He has served as General Manager of Semantan Estate Sdn. Berhad as well as Managing Director and Chairman of Ng Chin Siu & Sons Rubber Estates Sdn. Berhad. He was formerly a director of Kumpulan Guthrie Berhad, Goodyear Malaysia Berhad, a Chairman of Amalgamated Industrial Steel Berhad and an Entrepreneur Member of the Commodities Trading Commission.

Presently, Mr Ng is a director of UOB Malaysia, United Overseas Finance (Malaysia) Bhd, United Overseas Nominees (Tempatan) Sdn Bhd, Malaysian Soil Investigation Sdn Bhd, Ng Kee Wei Sdn Bhd and United Overseas Finance Ltd.

Lim Kean Chye

Mr Lim Kean Chye is a B.A. Cambridge and a barrister of the Inner Temple. He was called to the Singapore Bar in 1950 and the Malayan Bar in 1961 and practiced until recently.

Abdul Latif bin Yahaya

En Abdul Latif bin Yahaya holds a Diploma in Public Administration & Local Government from the then Institute Technology Mara (now UiTM) and a Bachelor of Business Administration awarded by Ohio University. En Abdul Latif has wide working experience in the financial services industry and has served in various senior capacities. He began his career as an Administrative Officer with Bank Negara Malaysia ("BNM") from 1971 to 1978 and subsequently joined Orix Leasing Malaysia Berhad. In 1984, En Abdul Latif was appointed the Managing Director of Arab Malaysian Credit Berhad and he held the position until 1996. He then became the Managing Director of Arab-Malaysian Assurance Berhad (now known as AmAssurance Berhad) until he left in 1999. For the next five years until 2004, he was appointed Advisor to the Chief Executive Officer/Vice Chairman of Orix

Leasing Malaysia Berhad. In 2008, he assumed the position of Managing Director/Chief Executive Officer of ICB Islamic Bank Ltd., Dhaka, Bangladesh, for an interim period. During his working career, Encik Abdul Latif was the President of the Equipment Leasing Association of Malaysia for seven years and the President of the Asian Leasing Association for two years.

Presently, En Abdul Latif sits on the board of UOB Malaysia and several other private companies including Semarak Pesona Sdn Bhd, NCL Solutions Sdn Bhd, Riyan Tech (M) Sdn Bhd, Vigorvest Sdn Bhd and Zag T 3 Sdn Bhd.

Chan Kok Seong

Mr Chan Kok Seong was appointed Chief Executive Officer (CEO), UOB Malaysia in 2003.

Prior to his appointment as CEO, Mr Chan was:

- Head of Commercial Lending Division II overseeing UOB Malaysia's regional commercial lending activities to Small Medium Enterprises (SMEs) and Large Corporates;
- Head of Commercial Lending (Listed Corporates) covering lending to Bursa Malaysia-listed corporations, financial institutions and government-related entities;
- Head of Risk Management Division responsible for the development risk management system/policy and risk covering credit risk, market risk, asset-liability management and operational risk.

Before joining UOB Malaysia in July 1998, Mr Chan was Head of Risk Management Division, Arab-Malaysian Merchant Bank responsible for prudential control of market, liquidity, counterparty and other risks associated with money market and derivative dealing activities.

Mr Chan started his career with BNM, where he served for over 8 years involved primarily in policy development for prudential control and banking practices, including the development of regulatory framework for new financial instruments.

Mr Chan is a director of Uni.Asia General Insurance Berhad and Uni.Asia Life Assurance Berhad. He is a member of The Association of Banks in Malaysia Council (ABM). He is a graduate of University of Malaya under BNM's scholarship program. Mr Chan is a member of the Malaysian Institute of Certified Public Accountants.

4.4 Key Management

Chan Kok Seong	Director & Chief Executive Officer
Tay Han Chong	Senior Vice President & Senior Head, Personal Financial Services
Lai Tak Kong	Senior Vice President & Head, Corporate Banking
Kan Wing Yin	Senior Vice President & Head, Commercial Banking
James Seow	First Vice President & Head, Business Banking
Khoo Chock Seang	Senior Vice President & Head, Sales Management
Michael Beh	Managing Director & Head, Global Markets & Investment Management
Ng Ling Tee, Steven	Managing Director & Head, Loan Syndication and Structured Finance
Loong See Meng, Steven	Senior Vice President & Head, Credit Management (Corporate)
Yong Yen Ee	Senior Vice President & Head, Credit Management (Commercial)
Aw Tee Woo	Senior Vice President & Head, Credit Management (Consumer)
Lin Kok Hoi	Senior Vice President & Head, Operations/Channel Support
Chun Choy Wan	Senior Vice President & Head, Centralised Credit Operations Division/ Secretariat
Lee Voon Seng	Senior Vice President & Head, Human Resources
Quah Chei Jin, Albert	Senior Vice President & Head of Corporate Services/ Chief Financial Officer
Lum Chee Onn	Senior Vice President & Head, Information Technology
Por Peng Seong, Alex	Senior Vice President & Head, Risk Management
Leong Sow Yoke	Senior Vice President & Head, Internal Audit
Mohd Fhauzi Bin Muridan	Senior Vice President & Head, Bumiputra Business Banking
Cheong Yeok Lan	First Vice President & Head, Legal & Compliance

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4.5 Subsidiaries

- UOB Smart Solutions Sdn Bhd
- United Overseas Finance (Malaysia) Bhd
- UOB (2006) Bhd
- UOB Credit Bhd
- UOBM Nominees (Tempatan) Sdn Bhd
- UOBM Nominees (Asing) Sdn Bhd
- United Overseas Nominees (Tempatan) Sdn Bhd
- United Overseas Nominees (Asing) Sdn Bhd
- UOB 2006 Nominees (Tempatan) Sdn Bhd
- UOB 2006 Nominees (Asing) Sdn Bhd

4.6 Funding and Capital Adequacy

4.6.1 Funding and Customer Deposits

UOB Malaysia's customer deposits are mainly in the form of fixed deposits (56% as at 31 December 2008).

	Audited FYE 31-12-2004	Audited FYE 31-12-2005	Audited FYE 31-12-2006	Audited FYE 31-12-2007	Audited FYE 31-12-2008
RM' million					
Customer deposits	15,907.31	16,639.61	18,987.16	24,433.39	30,011.88
<i>comprising</i>					
Demand	1,910.85	2,182.34	2,512.96	3,351.58	4,139.84
Savings	1,233.19	1,262.50	1,358.22	1,580.66	1,819.37
Fixed	11,496.86	11,728.22	13,600.49	14,539.81	16,678.22
Negotiable instruments	1,239.53	1,111.60	819.63	520.05	508.36
Money market	-	-	-	3,877.47	6,193.77
Others	26.88	354.95	695.86	563.82	672.32
Respective ratio to total customer deposits					
Demand	12.01%	13.12%	13.24%	13.72%	13.79%
Savings	7.75%	7.59%	7.15%	6.47%	6.06%
Fixed	72.27%	70.48%	71.63%	59.51%	55.57%
Negotiable instruments	7.79%	6.68%	4.32%	2.13%	1.69%
Money market	-	-	-	15.87%	20.64%
Others	0.17%	2.13%	3.66%	2.31%	2.24%

4.6.2 Profile of Customer Deposits by Type

	Group and Bank	
	2008	2007
	RM'000	RM'000
Business enterprises	13,244,422	10,117,691
Individuals	15,183,014	13,158,735
Others	1,584,446	1,156,969
	<u>30,011,882</u>	<u>24,433,395</u>

4.6.3 Deposits and Placement of the Issuer and Other Financial Institutions

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Licensed banks	641,692	1,542,212	642,106	1,542,621
Licensed investment banks	-	389,100	-	389,100
Bank Negara Malaysia	684,401	1,646,506	684,401	1,646,506
Other financial institutions	2,960,984	1,139,140	2,960,984	1,139,140
	<u>4,287,077</u>	<u>4,716,958</u>	<u>4,287,491</u>	<u>4,717,367</u>

4.6.4 Capital Adequacy

	Audited FYE	Audited FYE	Audited FYE	Audited FYE	Audited FYE
Key Financial Ratio (%)	31-12-2004	31-12-2005	31-12-2006	31-12-2007	31-12-2008
CAPITAL ADEQUACY					
Shareholders' Fund To Total Assets	6.76%	6.88%	7.52%	7.62%	7.21%
Tier 1 Risk Weighted Capital Adequacy Ratio	11.86%	11.16%	10.45%	9.96%	10.24%
Overall Risk Weighted Capital Adequacy Ratio	13.63%	12.67%	11.98%	11.60%	11.95%

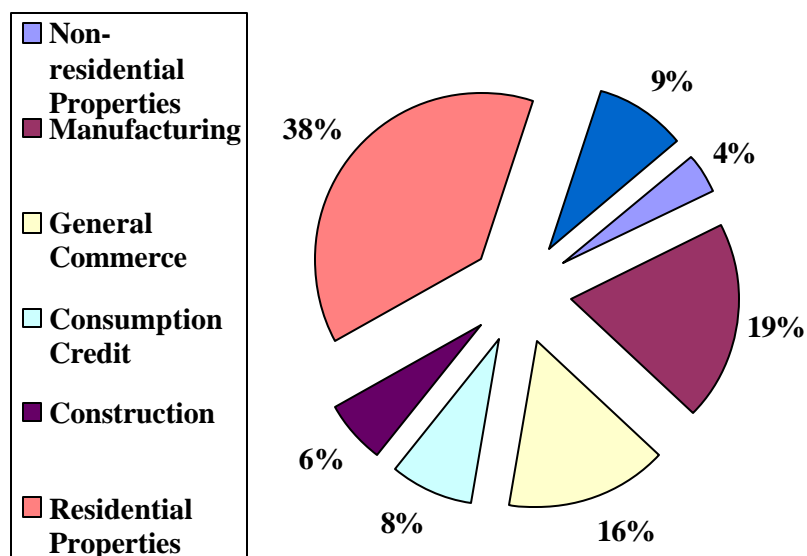
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4.7 Asset Quality**4.7.1 Loan Portfolio**

RM'million	Audited FYE 31-12-2004	Audited FYE 31-12-2005	Audited FYE 31-12-2006	Audited FYE 31-12-2007	Audited FYE 31-12-2008
Gross Loans	16,898.10	17,790.20	20,890.38	25,731.23	28,439.32
<i>Allowance for losses on loans and financing</i>					
Specific	(456.23)	(337.23)	(352.24)	(341.84)	(426.11)
General	(251.95)	(251.94)	(305.97)	(384.74)	(427.19)
Net loans, advance and financing	16,189.92	17,201.02	20,232.17	25,004.64	27,586.02

4.7.2 Loans, Advances and Financing by Type

RM'000	FYE 31-12-2004	FYE 31-12-2005	FYE 31-12-2006	FYE 31-12-2007	FYE 31-12-2008
Overdrafts	2,990,999	2,796,237	2,871,023	2,807,803	2,667,272
<i>Term loans and revolving credits</i>					
Housing loans	4,237,994	5,180,860	6,791,307	8,477,711	10,278,098
Syndicated term loans	161,370	123,331	105,239	423,427	196,766
Lease receivables	489	451	3	-	-
Other term loans/financing	5,714,439	5,659,840	6,134,316	7,761,387	8,977,655
Credit cards receivable	457,040	578,868	781,145	909,878	946,782
Bills receivable	113,031	109,123	112,521	109,501	109,357
Trust receipts	509,033	429,032	561,371	879,447	824,098
Claims on customers under acceptance credits	2,623,056	2,821,799	3,447,565	4,272,907	4,349,495
<i>Staff loan</i>					
Executive directors	-	-	489	450	410
Others	90,936	88,446	91,359	95,722	100,323
Others	-	2,570	5,692	9,737	11,933
	16,898,387	17,790,557	20,902,030	25,747,970	28,462,189
Unearned interest	(288)	(357)	(11,650)	(16,744)	(22,872)
Gross loan, advances and financing	16,898,099	17,790,200	20,890,380	25,731,226	28,439,317

4.7.3 Loan, Advances and Financing by Economic Sector**4.7.4 Profile of NPLs**

	Audited FYE 31-12-2004	Audited FYE 31-12-2005	Audited FYE 31-12-2006	Audited FYE 31-12-2007	Audited FYE 31-12-2008
Net NPLs (RM'000)	1,050,361	863,551	875,619	695,635	771,733
Net NPL Ratio (%)	6.4	4.9	4.3	2.7	2.8
Gross NPL Ratio (%)	8.9	6.7	5.9	4.0	4.2

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4.7.5 Held-for-trading and Available-for-sale Securities

The Issuer has wound down its Held-for-trading Securities portion to about RM1 million as at 31 December 2008. The Held-for-trading Securities are as follows:-

	FYE	FYE	Audited FYE	FYE	FYE
RM'000	31-12-2004	31-12-2005	31-12-2006	31-12-2007	31-12-2008
At fair value:					
Malaysian Government treasury bills	-	-	112,509	-	-
Malaysian Government securities	113,303	-	-	164,251	-
Bank Negara Malaysia Bills	-	-	662,479	-	-
Negotiable instruments of deposit	320,000	-	-	-	-
Banker's acceptances and Islamic accepted bills	-	307,665	3,134	-	-
Islamic private debt securities	281,971	406,152	264,382	85,575	-
Cagamas bonds	-	-	49,860	-	-
Private debt securities	474,844	658,435	156,894	327,671	1,074
Total	1,190,118	1,372,252	1,249,258	577,497	1,074

The Issuer has also reduced its portion in the Available-for-sale Securities from RM4.4 billion in 2007 to RM3.6 billion in 2008. The Available-for-sale Securities are as follows:-

	FYE	FYE	Audited FYE	FYE	FYE
RM'000	31-12-2004	31-12-2005	31-12-2006	31-12-2007	31-12-2008
At fair value:					
Money market instruments:					
Bank Negara Malaysia Bills	-	240,134	-	226,925	639,161
Banker's acceptances	-	-	-	355,776	-
Malaysian Government treasury bills	-	101,827	-	63,506	-
Malaysian Government securities	2,323	2,266	2,206	838,137	867,320
Negotiable instruments of deposits	3,252,000	3,567,955	2,570,017	1,930,015	920,399
Cagamas bonds	70,770	60,100	213,721	303,895	396,136
Private debt securities	-	-	497,948	635,999	760,012
	3,325,093	3,972,282	3,283,892	4,354,253	3,583,028
Quoted securities:					
Shares of corporations in Malaysia	6,510	3,827	2,740	2,575	1,862
Corporate loan stocks	12,453	5,521	5,027	5,642	6,069
	18,963	9,348	7,767	8,217	7,931
At Cost:					
Unquoted securities:					
Shares	12,272	12,272	12,272	12,272	24,937
Private debt securities	1,417	1,417	276	276	276
	13,689	13,689	12,548	12,548	25,213
Total	3,357,745	3,995,319	3,304,207	4,375,018	3,616,172

5. FINANCIAL INFORMATION

5.1 Historical Financial highlights

Set out below is a summary of UOB Malaysia's key financial highlights:-

RM' million	Audited FYE 31-12-2004	Audited FYE 31-12-2005	Audited FYE 31-12-2006	Audited FYE 31-12-2007	Audited FYE 31-12-2008
Net interest income	556.38	606.26	704.85	868.78	963.18
Non-interest income	255.90	347.50	399.97	410.16	285.09
Profit/(Loss) before tax	523.73	500.15	585.62	660.43	518.47
Profit/(Loss) after tax	374.74	357.04	418.30	483.21	388.83
Total assets	28,886.53	31,080.76	32,070.16	36,016.54	41,425.47
Shareholders equity	1,954.50	2,136.67	2,410.45	2,744.17	2,985.07
NTA per share	4.16	4.55	5.13	5.84	6.35

5.2 Capitalisation and Indebtedness

RM' million	Audited FYE 31-12-2004	Audited FYE 31-12-2005	Audited FYE 31-12-2006	Audited FYE 31-12-2007	Audited FYE 31-12-2008
Gross Loans & advances	16,898.10	17,790.20	20,890.38	25,731.23	28,439.32
Customer deposits	15,907.31	16,639.61	18,987.16	24,433.39	30,011.88
Interbank deposits	4,000.65	4,295.23	3,129.71	4,716.96	4,287.08
Bills & acceptances payable	1,982.73	1,658.95	2,697.63	3,027.68	3,268.53
Securities sold under repurchase agt	3,128.21	4,510.90	3,709.80	-	-
Recourse on loans sold to Cagamas	1,361.05	1,302.53	560.03	316.12	137.11
Other liabilities	522.65	509.17	575.39	778.22	735.80
	26,902.60	28,916.39	29,659.72	33,272.37	38,440.40
Paid-up capital	470.00	470.00	470.00	470.00	470.00
Share premium & other reserves	368.72	363.05	360.01	379.14	405.11
Statutory general reserves	470.00	470.00	470.00	470.00	470.00
Retained profits	645.78	833.62	1,110.44	1,425.03	1,639.96
	1,954.50	2,136.67	2,410.45	2,744.17	2,985.07
Loans-to-deposit ratio	1.06	1.07	1.10	1.05	0.95
Liabilities-to-shareholders fund	13.76	13.53	12.30	12.12	12.88

Both the loans-to-deposit ratio and the liabilities-to-shareholders fund ratio have maintained a stable trend. Currently, UOB Malaysia's capital base consists of paid-up capital, reserves and retained profits.

6. SELLING RESTRICTIONS

6.1 Selling Restrictions

Each of the following restrictions must be observed in relation to the Subordinated Bonds:-

- (a) At issuance, the Subordinated Bonds may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons falling within any one of the categories of persons specified on Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the CMSA; and
- (b) Thereafter, the Subordinated Bonds may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons falling within any one of the categories of persons specified on Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA.

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7. OTHER MATERIAL INFORMATION

7.1 Other Material Information

7.1.1 Material Litigation

As at the date hereof, the Issuer is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and does not have any knowledge of any proceedings pending or threatened against the Issuer or its subsidiaries, or of any facts likely to give rise to any proceedings which might materially or adversely affect the position or business of the Issuer save and except as set out below:-

Civil Appeal No.S-02-373-01

(In the matter of Originating Summons No. K24-133-98)

Appellants/Plaintiffs: Kong Kok Keong & Faidzan Bin Hassan

Respondent/Defendant: United Overseas Bank (Malaysia) Bhd

The Appellants/Plaintiffs have filed an Originating Summons seeking inter alia:-

- a) a declaration that a Bank Guarantee made between the Respondent/Defendant and a third party is null and void and of no effect;
- b) an order that the sum of RM33.8 million deposited by the Appellants/Plaintiffs with the Respondent/Defendant as security for the said Bank Guarantee, be paid by the Respondent/Defendant to the Appellants/Plaintiffs with agreed interest which are due and payable.

On 2001, the High Court dismissed the Appellants'/Plaintiffs' claim with cost.

The Appellants/Plaintiffs have appealed against the decision of the High Court dismissing their claim. In April 2009, the Appellants/Plaintiffs were granted leave to file their Record of Appeal.

Based on the facts and the law, the Issuer's solicitors are of the view that the High Court was correct in dismissing the Appellants'/Plaintiffs' claim and that the Court of Appeal should dismiss the appeal.

By way of a letter dated 12 May 2009, the Plaintiffs' solicitors have indicated to the Bank that the Plaintiffs intend to withdraw their Appeal in the Court of Appeal. The Plaintiffs' solicitors have filed a Notice of Withdrawal of the same date.

7.1.2 Commitments and Contingent Liabilities

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

The commitments and contingencies outstanding of the Issuer Group and the Issuer as at 31 December 2008 are as follows:-

2008	Group and Bank		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,030,489	2,030,489	1,979,023
Transaction-related contingent items	1,175,132	587,566	421,497
Short-term self-liquidating trade-related contingencies	314,687	62,937	58,805
Irrevocable commitments to extend credit			
-maturity more than one year	2,044,316	1,022,158	838,627
-maturity less than one year	12,263,089	-	-
Foreign exchange related contracts			
-less than one year	2,991,346	110,378	30,977
-more than one year to less than five years	1,231,206	87,163	17,433
Interest rate related contracts			
-less than one year	2,817,510	21,955	4,391
-more than one year to less than five years	17,347,608	736,183	146,784
-five years and above	2,180,162	276,896	55,379
Others	1,139,142	-	-
Total	45,534,687	4,935,725	3,552,916

The credit equivalent amount is arrived at using the credit conversion factors as per BNM guidelines.

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

8. OVERVIEW OF ECONOMY

The following information is extracted from publicly available sources and accordingly, none of the Issuer, Principal Adviser/Lead Arranger or any other party take responsibility for the accuracy or completeness thereof.

8.1 Economic Outlook for 2009

The outlook for the Malaysian economy is affected by the highly uncertain global economic conditions. The problems in the global financial sector continue to remain a concern with losses by the financial institutions projected to increase further. According to Malaysian Institute of Economic Research ("MIER"), both the World Bank and the International Monetary Fund ("IMF") are projecting the world economy to slide into a deeper recession in 2009. In its most recent forecast, the IMF has projected that the world economy would shrink by between 0.5% to 1.0% in 2009 from its January 2009 forecast of a growth of 0.5%.

The Malaysian economy is expected to experience the full impact of the global downturn in 2009. In response to the deteriorating global economic prospects, several policy measures have been put in place with a primary focus on supporting domestic demand as well as mitigating the impact of the global slowdown on the affected segments of the economy. These included two economic stimulus packages totaling RM67 billion (about 10% of GDP), aimed at supporting private sector demand, creating employment and training opportunities, easing the burden of the affected sectors as well as building long-term capacity of the economy. The first stimulus package amounted to RM7 billion, while the second stimulus package amounted to RM60 billion. Two loan guarantee facilities, namely the Working Capital Guarantee Scheme and Industry Restructuring Loan Guarantee Scheme were also established, under the second economic stimulus package, to provide working capital and encourage investment by businesses respectively. In addition, the Financial Guarantee Institution will also be established to provide credit enhancement to companies that raise funds from the bond market. With the second stimulus package, the fiscal deficit is estimated to rise to 7.6% of GDP in 2009, up markedly from 4.8% in 2008. The funding will mostly be sourced domestically, which is not a problem, given the ample liquidity in the system.

On the monetary front, BNM has reduced the overnight policy rate by 150 basis points since November 2008 to 2.0%, while the statutory reserve requirement was reduced by 300 basis points to 1.0%, to reduce cost of intermediation, including monthly loan repayments.

In the light of the deep declines in macro indicators, the gloomy business and consumer confidence, and the dismal sectoral indices, MIER has revised Malaysia's growth forecast for 2009 to -2.2% from +1.3% earlier, as against BNM's forecast of between -1% to 1%. MIER believes that the downturn could be more harmful, if exports shrink severely. The 2010 growth forecast was also downgraded by MIER to 3.3%, from 3.8% previously, in view of the anticipated gradual recovery in the global economy.

(Source: Excerpts from BNM's Annual Report 2008 and the Malaysian Economic Outlook 1Q2009 by the Malaysian Institute of Economic Research, 15 April 2009.)

8.2 Recent Developments in the Financial Sector

The banking system remains resilient and sound supported by strong capitalization, higher profitability and improved quality of assets. The level of capitalization of banking institutions, measured in terms of the risk-weighted capital-adequacy ratio stood at 13.0% as at end February 2009, significantly higher than the Basel minimum requirement of 8%.

The quality of loan portfolio continue to improve, with net NPL remaining low at 2.2% as at end February 2009 (2007: 3.2%) amounting to RM15.8 billion. The improvement was underpinned by the enhanced risk management capabilities of banking institutions. Despite the slight moderation in the total approvals granted for new financing, lending and financing activities continue to remain robust, growing at a pace of 10.9% in February 2009 year-on-year. The financing portfolio was mainly concentrated in the retail-based sector and Small and Medium Enterprises (“SMEs”).

The financial sector development focus for the year centered primarily on preserving confidence in and resilience of the financial sector, and ensuring that the financial sector continue to perform its financial intermediation function to support economic activities. Concerted efforts taken to ensure that businesses continued to have adequate access to financing include, but not exhaustive, the following:-

- the Working Capital Guarantee Scheme and the Industry Restructuring Loan Guarantee Scheme to enhance the avenues for companies to obtain funds for working capital requirements and support long term investment activities to increase productivity and generate high value-added activities;
- the Financial Guarantee Institution to provide credit enhancements to viable corporations to access the bond market;
- the SME Assistance and Modernisation Facilities as well as the SME Assistance Guarantee Scheme, established in 2008 and 2009 respectively;
- the Credit Counselling and Debt Management Agency to provide credit counselling and debt management services; and
- the Perbadanan Insurans Deposit Malaysia, which administers the deposit insurance system to protect depositors and promote financial stability.

The recent liberalisation of the financial sector, encompassing both conventional and Islamic financial sector, aims to further strengthen Malaysia’s economic inter-linkages with other economies, provide greater access to wider world class financial products, strengthen Malaysia’s competitiveness in Islamic financing and promote Malaysia as a leading global shared services and outsourcing centre.

(Source: Excerpts from BNM’s Financial Stability and Payment Systems Report 200 and, BNM’s Monetary and Financial Developments February 2009 Highlights of the Press Release.)