United Overseas Bank Limited
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uobgroup.com
Co. Reg. No. 193500026Z

Announcement

To: All Shareholders

The Board of Directors of United Overseas Bank Limited wishes to make the following announcement:

Audited Financial Results for the Financial Year Ended 31 December 2018
Details of the financial results are in the accompanying Group Financial Report.

Dividends and Distributions for the Fourth Quarter Ended 31 December 2018
Ordinary share dividend

The Directors recommend the payment of a final tax-exempt dividend of 50 cents and a special tax-exempt dividend of 20 cents (2017: final dividend of 45 cents and special dividend of 20 cents) per ordinary share for the financial year ended 31 December 2018. The final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting scheduled for 26 April 2019.

Together with the interim tax-exempt dividend of 50 cents per ordinary share (2017: 35 cents) paid in August 2018, the total net dividends for the financial year ended 31 December 2018 will be S$1.20 (2017: S$1.00) per ordinary share amounting to S$2,000 million (2017: S$1,660 million). The dividends will be paid in cash on 16 May 2019. The UOB scrip dividend scheme will not be applied to the final and special dividends.

Notice is hereby given that the Share Transfer Books and Register of Members of the Bank will be closed on 8 May 2019, for the preparation of dividend warrants. Registrable transfers received by the Bank's Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 pm on 7 May 2019 will be registered for the dividends. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Ltd ("CDP"), the dividends will be paid by the Bank to CDP which will, in turn, distribute the dividends to holders of the securities accounts.

Distributions on perpetual capital securities

On 19 October 2018, a semi-annual distribution at an annual rate of 3.875% totalling US$13 million was paid on the Bank's US$650 million 3.875% non-cumulative non-convertible perpetual capital securities for the period from 19 April 2018 up to, but excluding 19 October 2018.

On 19 November 2018, a semi-annual distribution at an annual rate of 4.00% totalling S$15 million was paid on the Bank's S$750 million 4.00% non-cumulative non-convertible perpetual capital securities for the period from 18 May 2018 up to, but excluding 18 November 2018.

On 19 November 2018, a semi-annual distribution at an annual rate of 4.75% totalling S$12 million was paid on the Bank's S$500 million 4.75% non-cumulative non-convertible perpetual capital securities for the period from 19 May 2018 up to, but excluding 19 November 2018.

Interested Person Transactions

The Bank has not obtained a general mandate from shareholders for Interested Person Transactions.

Confirmation by Directors

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the audited financial results of the Group for the financial year ended 31 December 2018 to be false or misleading in any material aspect.

Undertakings from Directors and Executive Officers

The Bank has procured undertakings in the form set out in Appendix 7.7 of the Listing Manual from all its directors and executive officers pursuant to Rule 720(1) of the Listing Manual.

Information relating to persons occupying managerial position in the issuer or any of its principal subsidiaries who are relatives of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13)

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Wee Ee Cheong	66	Son of Dr Wee Cho Yaw, substantial shareholder	Deputy Chairman & CEO	Nil

BY ORDER OF THE BOARD
UNITED OVERSEAS BANK LIMITED

Ms Joyce Sia
Secretary

Dated this 22nd day of February 2019

The results are also available at www.UOBgroup.com

Group Financial Report

For the Financial Year/Fourth Quarter ended 31 December 2018

United Overseas Bank Limited
Incorporated in the Republic of Singapore

Contents

Notes

1 The financial statements are presented in Singapore dollars.
2 Certain comparative figures have been restated to conform with current period's presentation.
3 Certain figures in this report may not add up to the respective totals due to rounding.
4 Amounts less than $500,000 in absolute term are shown as "0".
5 Non-impaired assets refer to Stage 1 and Stage 2 assets under SFRS(I) 9.
6 Impaired assets refer to Stage 3 and purchased or originated credit-impaired assets under SFRS(I) 9.

Abbreviation

"2018" and "2017" denote to the financial year of 2018 and 2017 respectively.
"3Q18" denotes third quarter of 2018.
"4Q18" and "4Q17" denote fourth quarter of 2018 and 2017 respectively.
"NM" denotes not meaningful.
"NA" denotes not applicable.

Financial Highlights

	2018	2017	+/(-) %	4Q18	4Q17	+/(-) %	3Q18	+/(-) %
Selected income statement items ($m)								
Net interest income	**6,220**	5,528	13	**1,608**	1,461	10	1,599	1
Net fee and commission income	**1,967**	1,873	5	**467**	509	(8)	484	(4)
Other non-interest income	**930**	1,162	(20)	**140**	262	(46)	244	(42)
Total income	**9,116**	8,563	6	**2,216**	2,231	(1)	2,327	(5)
Less: Operating expenses	**4,003**	3,739	7	**984**	1,027	(4)	1,011	(3)
Operating profit	**5,113**	4,824	6	**1,232**	1,205	2	1,317	(6)
Less: Allowances for credit and other losses	**393**	727	(46)	**128**	140	(9)	95	34
Add: Share of profit of associates and joint ventures	**106**	110	(4)	**0**	22	(99)	25	(99)
Net profit before tax	**4,826**	4,207	15	**1,104**	1,087	2	1,246	(11)
Less: Tax and non-controlling interests	**818**	816	0	**188**	231	(19)	209	(10)
Net profit after tax [1]	**4,008**	3,390	18	**916**	855	7	1,037	(12)
Selected balance sheet items ($m)								
Net customer loans	**258,627**	232,212	11	**258,627**	232,212	11	251,755	3
Customer deposits	**293,186**	272,765	7	**293,186**	272,765	7	293,634	(0)
Total assets	**388,099**	358,592	8	**388,099**	358,592	8	382,638	1
Shareholders' equity [1]	**37,628**	36,850	2	**37,628**	36,850	2	36,768	2
Key financial ratios (%)								
Net interest margin [2]	**1.82**	1.77		**1.80**	1.81		1.81	
Non-interest income/Total income	**31.8**	35.4		**27.4**	34.5		31.3	
Cost/Income ratio	**43.9**	43.7		**44.4**	46.0		43.4	
Overseas profit before tax contribution	**39.6**	40.8		**33.5**	37.9		41.1	
Credit costs on loans (bp) [2]								
Non-impaired	**1**	(32)		**(2)**	(107)		3	
Impaired	**15**	61		**22**	125		15	
Total	**16**	28		**20**	17		18	
NPL ratio [3]	**1.5**	1.8		**1.5**	1.8		1.6	

Notes:
1 Relate to amount attributable to equity holders of the Bank.
2 Computed on an annualised basis.
3 Refer to non-performing loans as a percentage of gross customer loans.

Financial Highlights *(cont'd)*

	2018	2017	**4Q18**	4Q17	3Q18
Key financial ratios (%) *(cont'd)*					
Return on average ordinary shareholders' equity [1,2]	**11.3**	10.2	**10.2**	9.8	11.7
Return on average total assets [1]	**1.07**	0.98	**0.95**	0.97	1.09
Return on average risk-weighted assets [1]	**1.93**	1.63	**1.68**	1.69	1.99
Loan/Deposit ratio [3]	**88.2**	85.1	**88.2**	85.1	85.7
Liquidity coverage ratios ("LCR") [4]					
All-currency	**135**	147	**127**	135	142
Singapore dollar	**209**	200	**220**	170	235
Net stable funding ratio ("NSFR") [5]	**107**	NA	**107**	NA	110
Capital adequacy ratios					
Common Equity Tier 1	**13.9**	15.1	**13.9**	15.1	14.1
Tier 1	**14.9**	16.2	**14.9**	16.2	15.1
Total	**17.0**	18.7	**17.0**	18.7	17.4
Leverage ratio [6]	**7.6**	8.0	**7.6**	8.0	7.4
Earnings per ordinary share ($) [1,2]					
Basic	**2.34**	1.99	**2.15**	1.98	2.43
Diluted	**2.33**	1.98	**2.14**	1.98	2.42
Net asset value ("NAV") per ordinary share ($) [7]	**21.31**	20.37	**21.31**	20.37	20.78
Revalued NAV per ordinary share ($) [7]	**24.19**	23.19	**24.19**	23.19	23.64

Notes:
1 Computed on an annualised basis.
2 Calculated based on profit attributable to equity holders of the Bank net of perpetual capital securities distributions.
3 Refer to net customer loans and customer deposits.
4 Figures reported are based on average LCR for the respective periods. A minimum requirement of Singapore dollar LCR of 100% and all-currency LCR of 90% shall be maintained at all times with effect from 1 January 2018 (2017: 80%), with all-currency LCR increasing to 100% by 2019. Public disclosure required under MAS Notice 651 is available in the UOB website at www.UOBgroup.com/investor/financial/overview.html.
5 NSFR is calculated based on MAS Notice 652. A minimum requirement of 100% shall be maintained effective January 2018. Public disclosure required under MAS Notice 653 is available in the UOB website at www.UOBgroup.com/investor/financial/overview.html.
6 Leverage ratio is calculated based on MAS Notice 637. A minimum ratio of 3% is required effective 1 January 2018.
7 Perpetual capital securities are excluded from the computation.

Performance Review

Changes in Accounting Policies
The Group adopted the following changes with effect from 1 January 2018:

(i) New financial reporting framework
Singapore listed companies are required to apply a new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") that is equivalent to the International Financial Reporting Standards ("IFRS") with effect from 1 January 2018. Accordingly, the financial statements have been prepared based on the new reporting framework. SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) was applied with no impact on the financial statements.

(ii) SFRS(I) and SFRS(I) Interpretations
SFRS(I) and SFRS(I) Interpretations effective from 1 January 2018 have been applied. The following represents a change from the requirements previously applied under Singapore Financial Reporting Standards ("FRS").

- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration
- Amendments to FRS incorporated within SFRS(I):
    - Amendments to FRS 40: Transfers of Investment Property
    - Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
    - Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

(iii) Revised Monetary Authority of Singapore ("MAS") Notice 612 Credit Files, Grading and Provisioning
The revised Notice requires Singapore-incorporated Domestic Systemically Important Banks to maintain a minimum level of regulatory loss allowance equivalent to 1% of the gross carrying amount of the selected credit exposures net of collaterals. Where the loss allowance provided for under SFRS(I) 9 for the selected credit exposures falls below the minimum regulatory requirement, an additional loss allowance in a non-distributable regulatory loss allowance reserve through an appropriation of retained earnings is required.

The adoption of the above changes did not have a significant impact on the Group’s financial statements on transition date. The impact of adopting SFRS(I) 9 on retained earnings and other reserves is shown in Appendix 4 - Consolidated Statement of Changes in Equity. No additional loss allowance was required by MAS Notice 612 on transition date.

Other than the above changes, the accounting policies and computation methods adopted in the financial statements for the financial year ended 31 December 2018 are the same as those applied in the audited financial statements for the financial year ended 31 December 2017.

2018 versus 2017

Net earnings for the year rose to a new high of $4.01 billion, up 18% from a year ago.

Net interest income grew 13% to $6.22 billion, driven by broad-based loan growth and higher net interest margin. Net interest margin increased five basis points to 1.82%, in line with the rising interest rate environment.

Net fee and commission income increased 5% to $1.97 billion, driven by the strong performance in loan-related, credit card, trade-related and fund management fees. Other non-interest income declined 20% to $930 million mainly due to unrealised mark-to-market on investment securities and lower gains from sale of investment securities.

Business segments continued to deliver strong income growth. Total income for Group Retail rose 4% to $3.95 billion, supported by healthy volume growth and deposit margin improvement. Group Wholesale Banking reported an income growth of 11% to $3.94 billion, led by double-digit loan growth and broad-based increase in fee and customer treasury income. Total income for Global Markets grew 6% to $465 million, driven by favourable movements in foreign exchange and rates.

Total expenses increased 7% to $4.00 billion, largely driven by higher performance-related staff costs and IT-related expenses. This reflects the Group’s continued commitment towards investing in talent and technology to improve product capabilities and customer experience and to reap benefits from digitalisation. The cost-to-income ratio for the year rose marginally to 43.9%.

Total allowances decreased 46% to $393 million with credit costs on impaired loans easing to 15 basis points. This reflected the fairly benign credit environment for most of 2018 as well as lower residual risks from the oil and gas and shipping sectors from the preceding years.

<u>Performance Review *(cont'd)*</u>

<u>4Q18 versus 4Q17</u>

The Group reported net earnings of $916 million in 4Q18, 7% higher from a year ago.

Net interest income rose 10% to $1.61 billion led by 11% growth in loans while net interest margin dipped slightly to 1.80%.

Net fee and commission income declined 8% to $467 million as higher fees from credit cards were offset by lower wealth management and loan-related fees amid market uncertainties. While customer-related flows remained stable this quarter, other non-interest income fell 46% to $140 million mainly due to unrealised mark-to-market on investment securities arising from market volatility.

Total expenses reduced 4% to $984 million driven by lower revenue-related and staff costs. The cost-to-income ratio improved to 44.4% as compared with 46.0% a year ago.

Total allowances declined 9% to $128 million as the provision for higher allowances on the oil and gas and shipping sectors was made in the same quarter last year. The credit costs on impaired loans stood at 22 basis points for the quarter.

<u>4Q18 versus 3Q18</u>

Compared with last quarter, net earnings decreased 12% to $916 million.

Net interest income was $1.61 billion, in line with the previous quarter. Incremental interest income from quarter-on-quarter loan growth of 3% was moderated by a one-basis point drop in net interest margin to 1.80%.

Net fee and commission income fell 4% to $467 million, due to lower wealth management and loan-related fees on the back of subdued market sentiment. Other non-interest income fell 42% to $140 million driven by lower trading and investment income, which offset growth in customer-related flows.

Total expenses declined 3% in tandem with lower operating income, largely stemming from lower performance-related staff costs and IT-related expenses.

Total allowances increased 34% to $128 million mainly due to higher allowances on impaired assets in Singapore and Indonesia.

Contribution from associated companies declined by $25 million for the quarter, mainly due to unrealised mark-to-market recognised by an associated company.

Balance sheet and capital position

The Group's funding position remained strong with a healthy loan-to-deposit ratio at 88.2%. Against last quarter, gross loans grew 3% to $262 billion while deposits was stable at $293 billion.

The full-year average Singapore dollar and all-currency liquidity coverage ratios were 209% and 135% respectively, well above the corresponding regulatory requirements of 100% and 90%. The net stable funding ratio was 107% as at 31 December 2018.

The non-performing loan ratio improved further to 1.5% from 1.6% in the last quarter. The coverage for non-performing assets remained stable at 87%, or 202% after taking collateral into account. Total allowances for non-impaired assets remained adequate at $1.98 billion as at 31 December 2018.

Compared with the last quarter, shareholders' equity increased 2% to $37.6 billion mainly driven by higher retained earnings.

As at 31 December 2018, the Group's Common Equity Tier 1 CAR remained strong at 13.9%. The Group's leverage ratio of 7.6% was more than double the regulatory minimum requirement of 3%. The Group remains well capitalised to navigate the macro uncertainties ahead.

Net Interest Income

Net interest margin

	2018			2017		
	Average balance	**Interest**	**Average rate**	Average balance	Interest	Average rate
	$m	**$m**	**%**	$m	$m	%
Interest bearing assets						
Customer loans	**245,138**	**8,844**	**3.61**	227,666	7,474	3.28
Interbank balances	**68,730**	**1,532**	**2.23**	58,869	997	1.69
Securities	**28,095**	**765**	**2.72**	25,650	605	2.36
Total	**341,962**	**11,141**	**3.26**	312,185	9,077	2.91
Interest bearing liabilities						
Customer deposits	**286,820**	**4,083**	**1.42**	264,516	3,018	1.14
Interbank balances/others	**40,067**	**838**	**2.09**	36,270	531	1.46
Total	**326,887**	**4,921**	**1.51**	300,786	3,548	1.18
Net interest margin [1]			**1.82**			1.77

	4Q18			4Q17			3Q18		
	Average balance	**Interest**	**Average rate**	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	**$m**	**%**	$m	$m	%	$m	$m	%
Interest bearing assets									
Customer loans	**256,731**	**2,408**	**3.72**	231,490	1,934	3.31	248,590	2,303	3.68
Interbank balances	**67,960**	**419**	**2.45**	63,480	291	1.82	72,704	421	2.30
Securities	**30,635**	**211**	**2.74**	25,045	161	2.55	28,418	195	2.73
Total	**355,326**	**3,038**	**3.39**	320,015	2,386	2.96	349,712	2,920	3.31
Interest bearing liabilities									
Customer deposits	**295,270**	**1,168**	**1.57**	269,724	792	1.17	294,404	1,107	1.49
Interbank balances/others	**44,273**	**262**	**2.35**	36,711	133	1.44	39,834	214	2.13
Total	**339,542**	**1,430**	**1.67**	306,435	926	1.20	334,238	1,321	1.57
Net interest margin [1]			**1.80**			1.81			1.81

Note:

1 Net interest margin represents annualised net interest income as a percentage of total interest bearing assets.

Net Interest Income *(cont'd)*

Volume and rate analysis

	2018 vs 2017			4Q18 vs 4Q17			4Q18 vs 3Q18		
	Volume change	Rate change	Net change	Volume change	Rate change	Net change	Volume change	Rate change	Net change
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Interest income									
Customer loans	574	796	1,369	211	263	474	75	29	104
Interbank balances	167	368	535	21	107	128	(27)	26	(2)
Securities	58	102	160	36	14	50	15	1	16
Total	798	1,266	2,064	267	385	652	63	55	119
Interest expense									
Customer deposits	254	810	1,065	75	301	376	3	58	61
Interbank balances/others	56	252	308	27	101	128	24	24	48
Total	310	1,062	1,373	103	402	504	27	82	109
Change in number of days	-	-	-	-	-	-	-	-	-
Net interest income	488	204	692	165	(17)	148	36	(27)	9

Net interest income grew 13% year on year to $6.22 billion, driven by broad-based loan growth and higher net interest margin. Net interest margin increased five basis points to 1.82%, in line with the rising interest rate environment.

Against the same quarter last year, net interest income rose 10% to $1.61 billion led by 11% growth in loans while net interest margin dipped slightly to 1.80%.

Quarter on quarter, net interest income was $1.61 billion, in line with the previous quarter. Incremental interest income from loan growth of 3% was moderated by a one-basis point drop in net interest margin to 1.80%.

Non-Interest Income

	2018	2017	+/(-)	4Q18	4Q17	+/(-)	3Q18	+/(-)
	$m	$m	%	$m	$m	%	$m	%
Net fee and commission income								
Credit card [1]	**440**	404	9	**123**	111	10	110	12
Fund management	**261**	239	9	**60**	67	(10)	65	(7)
Wealth management	**543**	547	(1)	**114**	142	(20)	133	(14)
Loan-related [2]	**545**	471	16	**121**	133	(9)	135	(10)
Service charges	**154**	148	4	**43**	41	6	37	17
Trade-related [3]	**296**	272	9	**76**	72	6	74	3
Others	**63**	80	(21)	**14**	18	(24)	15	(5)
	2,303	2,161	7	**551**	585	(6)	568	(3)
Less: Fee and commission expenses [4]	**(336)**	(289)	(16)	**(84)**	(76)	(12)	(84)	(0)
	1,967	1,873	5	**467**	509	(8)	484	(4)
Other non-interest income								
Net trading income	**683**	775	(12)	**118**	186	(37)	174	(32)
Net (loss)/gain from investment securities	**(35)**	127	(>100)	**(59)**	12	(>100)	11	(>100)
Dividend income	**27**	23	20	**1**	1	5	5	(77)
Rental income	**119**	119	(0)	**29**	30	(3)	30	(2)
Other income	**136**	117	16	**52**	32	61	23	>100
	930	1,162	(20)	**140**	262	(46)	244	(42)
Total	**2,896**	3,035	(5)	**607**	771	(21)	728	(17)

Net fee and commission income for the year increased 5% to $1.97 billion, driven by the strong performance in loan-related, credit card, trade-related and fund management fees. Other non-interest income declined 20% to $930 million mainly due to unrealised mark-to-market on investment securities and lower gains from sale of investment securities.

Compared with the same quarter last year, net fee and commission income declined 8% to $467 million as higher fees from credit cards were offset by lower wealth management and loan-related fees amid market uncertainties. While customer-related flows remained stable this quarter, other non-interest income fell 46% to $140 million mainly due to unrealised mark-to-market on investment securities arising from market volatility.

Quarter on quarter, net fee and commission income fell 4%, due to lower wealth management and loan-related fees on the back of subdued market sentiment. Other non-interest income fell 42% driven by lower trading and investment income, which offset growth in customer-related flows.

Notes:
1 Credit card fees are net of interchange fees paid.
2 Loan-related fees include fees earned from corporate finance activities.
3 Trade-related fees include trade, remittance and guarantees related fees.
4 Fee and commission expenses that were directly attributable to the fee and commission income. Certain comparative figures have been restated to conform with current period's presentation.

Operating Expenses

	2018	2017	+/(-)	4Q18	4Q17	+/(-)	3Q18	+/(-)
	$m	$m	%	$m	$m	%	$m	%
Staff costs	**2,447**	2,224	10	**597**	608	(2)	626	(5)
Other operating expenses								
Revenue-related[1]	**592**	600	(1)	**153**	170	(10)	147	4
Occupancy-related	**321**	332	(3)	**83**	86	(4)	77	8
IT-related	**414**	365	13	**94**	98	(4)	106	(11)
Others	**228**	217	5	**57**	65	(11)	55	5
	1,556	1,515	3	**387**	419	(8)	384	1
Total	**4,003**	3,739	7	**984**	1,027	(4)	1,011	(3)
Of which,								
Depreciation of assets	**273**	258	6	**73**	70	4	68	7
Manpower (number)	**26,153**	25,137	4	**26,153**	25,137	4	25,826	1

Total expenses for the year increased 7% to $4.00 billion, largely driven by higher performance-related staff costs and IT-related expenses. This reflects the Group's continued commitment towards investing in talent and technology to improve product capabilities and customer experience and to reap benefits from digitalisation. The cost-to-income ratio for the year rose marginally to 43.9%.

Compared with the same quarter last year, total expenses reduced 4% to $984 million driven by lower revenue-related and staff costs. The cost-to-income ratio improved to 44.4% as compared with 46.0% a year ago.

Quarter on quarter, total expenses declined 3% in tandem with lower operating income, largely stemming from lower performance-related staff costs and IT-related expenses.

Note:

1 Expenses directly attributable to the fee and commission income are presented net of fee and commission income. Certain comparative figures have been restated to conform with current period's presentation.

Allowances for Credit and Other Losses

	2018	2017	+/(-)	**4Q18**	4Q17	+/(-)	3Q18	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Allowances for non-impaired assets	**19**	(747)	>100	**(6)**	(641)	99	8	(>100)
Allowances for impaired loans [1]	**376**	1,407	(73)	**146**	744	(80)	94	55
Singapore	**201**	733	(73)	**162**	359	(55)	20	>100
Malaysia	**(21)**	177	(>100)	**(36)**	81	(>100)	15	(>100)
Thailand	**111**	131	(16)	**24**	50	(53)	32	(27)
Indonesia	**123**	258	(52)	**46**	204	(78)	19	>100
Greater China [2]	**16**	39	(59)	**9**	1	>100	6	42
Others	**(54)**	68	(>100)	**(58)**	50	(>100)	3	(>100)
Allowances for impaired securities and others	**(2)**	68	(>100)	**(12)**	37	(>100)	(7)	(72)
Total	**393**	727	(46)	**128**	140	(9)	95	34

Total allowances for the year decreased 46% to $393 million with credit costs on impaired loans easing to 15 basis points. This reflected the fairly benign credit environment for most of 2018 as well as lower residual risks from the oil and gas and shipping sectors from the preceding years.

Compared with same quarter last year, total allowances declined 9% to $128 million as the provision for higher allowances on the oil and gas and shipping sectors was made in the same quarter last year. The credit costs on impaired loans stood at 22 basis points for the quarter.

Quarter on quarter, total allowances increased 34% due to higher allowances on impaired assets in Singapore and Indonesia.

Notes:

1 Allowances for impaired loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

2 Comprise China, Hong Kong and Taiwan.

Customer Loans

	Dec-18	Sep-18	Dec-17
	$m	$m	$m
Gross customer loans	**261,707**	255,122	236,028
Less: Allowances for non-impaired loans	**1,571**	1,586	1,961
Allowances for impaired loans	**1,508**	1,781	1,855
Net customer loans	**258,627**	251,755	232,212
By industry			
Transport, storage and communication	**10,185**	9,996	9,388
Building and construction	**63,139**	60,174	53,646
Manufacturing	**21,112**	21,507	18,615
Financial institutions, investment and holding companies	**23,199**	22,698	19,090
General commerce	**32,928**	32,365	30,664
Professionals and private individuals	**29,288**	28,934	28,182
Housing loans	**68,387**	67,631	65,569
Others	**13,469**	11,816	10,874
Total (gross)	**261,707**	255,122	236,028
By currency			
Singapore dollar	**123,347**	119,752	115,750
US dollar	**50,674**	50,377	44,507
Malaysian ringgit	**25,328**	24,929	24,000
Thai baht	**15,600**	15,161	14,006
Indonesian rupiah	**5,288**	5,014	4,853
Others	**41,471**	39,888	32,912
Total (gross)	**261,707**	255,122	236,028
By maturity			
Within 1 year	**104,686**	103,778	92,969
Over 1 year but within 3 years	**48,826**	45,505	42,828
Over 3 years but within 5 years	**30,452**	28,763	24,851
Over 5 years	**77,744**	77,075	75,379
Total (gross)	**261,707**	255,122	236,028
By geography [1]			
Singapore	**137,176**	133,018	127,602
Malaysia	**29,315**	28,980	26,948
Thailand	**16,813**	16,363	14,977
Indonesia	**11,289**	11,114	10,718
Greater China	**40,081**	38,882	32,301
Others	**27,033**	26,765	23,482
Total (gross)	**261,707**	255,122	236,028

As at 31 December 2018, gross loans rose 11% year on year and 3% quarter on quarter to $262 billion, led by broad-based increase across all territories and industries.

Singapore loans grew 8% from a year ago to $137 billion as at 31 December 2018, while regional countries registered a strong growth of 15% in the same period.

Note:

1 Loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

Non-Performing Assets

	Dec-18	Sep-18	Dec-17
	$m	$m	$m
Loans ("NPL")	**3,994**	4,185	4,211
Debt securities and others	**172**	189	178
Non-performing assets ("NPA")	**4,166**	4,374	4,389
By grading			
Substandard	**2,512**	2,436	2,411
Doubtful	**230**	277	128
Loss	**1,424**	1,661	1,850
Total	**4,166**	4,374	4,389
By security			
Secured by collateral type:			
Properties	**1,897**	1,877	1,771
Shares and debentures	**6**	6	8
Fixed deposits	**13**	15	12
Others [1]	**453**	397	467
	2,369	2,295	2,258
Unsecured	**1,797**	2,079	2,131
Total	**4,166**	4,374	4,389
By ageing			
Current	**885**	768	936
Within 90 days	**581**	475	600
Over 90 to 180 days	**379**	457	735
Over 180 days	**2,321**	2,674	2,118
Total	**4,166**	4,374	4,389
Total allowances			
Non-impaired	**1,984**	1,991	1,976
Impaired	**1,651**	1,944	2,014
Total	**3,636**	3,935	3,990

	NPL	NPL ratio	NPL	NPL ratio	NPL	NPL ratio
	$m	%	$m	%	$m	%
NPL by industry						
Transport, storage and communication	**813**	**8.0**	1,113	11.1	1,209	12.9
Building and construction	**497**	**0.8**	530	0.9	428	0.8
Manufacturing	**709**	**3.4**	617	2.9	638	3.4
Financial institutions, investment and holding companies	**41**	**0.2**	31	0.1	92	0.5
General commerce	**511**	**1.6**	583	1.8	485	1.6
Professionals and private individuals	**320**	**1.1**	294	1.0	295	1.0
Housing loans	**739**	**1.1**	683	1.0	677	1.0
Others	**364**	**2.7**	334	2.8	387	3.6
Total	**3,994**	**1.5**	4,185	1.6	4,211	1.8

Note:
1 Comprise mainly marine vessels.

Non-Performing Assets *(cont'd)*

NPL by geography [1]	NPL/NPA	NPL ratio	Allowances for impaired assets	Allowances for impaired assets as a % of NPL/NPA
	$m	%	$m	%
Singapore				
Dec-18	**2,085**	**1.5**	**818**	**39**
Sep-18	1,963	1.5	827	42
Dec-17	2,058	1.6	934	45
Malaysia				
Dec-18	**558**	**1.9**	**161**	**29**
Sep-18	629	2.2	208	33
Dec-17	585	2.2	220	38
Thailand				
Dec-18	**456**	**2.7**	**153**	**34**
Sep-18	416	2.5	143	34
Dec-17	439	2.9	157	36
Indonesia				
Dec-18	**545**	**4.8**	**221**	**41**
Sep-18	749	6.7	364	49
Dec-17	694	6.5	312	45
Greater China				
Dec-18	**120**	**0.3**	**53**	**44**
Sep-18	138	0.4	83	60
Dec-17	132	0.4	76	58
Others				
Dec-18	**230**	**0.9**	**102**	**44**
Sep-18	290	1.1	155	53
Dec-17	303	1.3	156	52
Group NPL				
Dec-18	**3,994**	**1.5**	**1,508**	**38**
Sep-18	4,185	1.6	1,781	43
Dec-17	4,211	1.8	1,855	44
Group NPA				
Dec-18	**4,166**		**1,651**	**40**
Sep-18	4,374		1,944	44
Dec-17	4,389		2,014	46

	Total allowances	
	as a % of NPA	as a % of unsecured NPA
Group	%	%
Dec-18	**87**	**202**
Sep-18	90	189
Dec-17	91	187

The Group's overall loan portfolio remained sound. Total NPA decreased 5% year on year and against last quarter to $4.17 billion.

NPL ratio improved to 1.5% as at 31 December 2018, 0.1% point lower than last quarter. The coverage for non-performing assets remained adequate at 87%, or 202% after taking collateral into account.

Note:
1 NPL by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/ operation (for non-individuals) and residence (for individuals).

Customer Deposits

	Dec-18	Sep-18	Dec-17
	$m	$m	$m
By product			
Fixed deposits	**150,071**	155,775	139,257
Savings deposits	**71,601**	70,081	66,404
Current accounts	**58,858**	57,617	57,570
Others	**12,656**	10,161	9,534
Total	**293,186**	293,634	272,765
By maturity			
Within 1 year	**289,448**	287,601	268,233
Over 1 year but within 3 years	**2,085**	4,397	2,545
Over 3 years but within 5 years	**833**	852	1,174
Over 5 years	**819**	784	813
Total	**293,186**	293,634	272,765
By currency			
Singapore dollar	**130,981**	129,665	123,806
US dollar	**71,704**	76,299	67,739
Malaysian ringgit	**28,312**	28,452	26,475
Thai baht	**17,148**	17,369	15,317
Indonesian rupiah	**5,148**	5,117	5,119
Others	**39,894**	36,732	34,308
Total	**293,186**	293,634	272,765
Group Loan/Deposit ratio (%)	**88.2**	85.7	85.1
Singapore dollar Loan/Deposit ratio (%)	**93.5**	91.6	92.3
US dollar Loan/Deposit ratio (%)	**69.5**	64.5	63.9

Customer deposits as at 31 December 2018 stood at $293 billion, an increase of 7% year on year and little change from previous quarter. The year-on-year increase was in tandem with loan growth.

As at 31 December 2018, the Group's loan-to-deposit ratio and Singapore dollar loan-to-deposit ratio remained healthy at 88.2% and 93.5% respectively.

Debts Issued

	Dec-18	Sep-18	Dec-17
	$m	$m	$m
Unsecured			
Subordinated debts	**5,062**	5,021	4,827
Commercial papers	**13,974**	7,393	13,674
Fixed and floating rate notes	**5,586**	5,429	2,630
Others	**1,583**	1,617	1,801
Secured			
Covered bonds	**4,401**	4,446	2,247
Total	**30,606**	23,906	25,178
Due within 1 year	**15,680**	8,809	14,807
Due after 1 year	**14,926**	15,098	10,371
Total	**30,606**	23,906	25,178

Shareholders' Equity

	Dec-18	Sep-18	Dec-17
	$m	$m	$m
Shareholders' equity	**37,623**	36,768	36,850
Add: Revaluation surplus	**4,802**	4,770	4,679
Shareholders' equity including revaluation surplus	**42,425**	41,538	41,529

Compared with last year and previous quarter, shareholders' equity increased 2% to $37.6 billion mainly driven by higher retained earnings.

As at 31 December 2018, the revaluation surplus of $4.80 billion relating to the Group's properties, was not recognised in the financial statements.

Changes in Issued Shares of the Bank

	Number of shares			
	2018	2017	**4Q18**	4Q17
	'000	'000	**'000**	'000
Ordinary shares				
Balance at beginning of period	**1,671,534**	1,646,966	**1,680,541**	1,671,534
Shares issued under scrip dividend scheme	**9,007**	24,568	**-**	-
Balance at end of period	**1,680,541**	1,671,534	**1,680,541**	1,671,534
Treasury shares				
Balance at beginning of period	**(8,879)**	(11,274)	**(13,086)**	(9,299)
Shares re-purchased - held in treasury	**(7,902)**	-	**(1,841)**	-
Shares issued under share-based compensation plans	**1,947**	2,395	**93**	420
Balance at end of period	**(14,834)**	(8,879)	**(14,834)**	(8,879)
Ordinary shares net of treasury shares	**1,665,707**	1,662,655	**1,665,707**	1,662,655

Performance by Business Segment

Business segment performance reporting is prepared based on the Group's internal organisation structure and the methodologies adopted in our management reporting framework. Our business segments' results include all applicable revenue, expenses, internal fund transfer price and cost allocations associated with the activities of the business. Transactions between business segments are operated on an arm's length basis in a manner similar to third party transactions and they are eliminated on consolidation.

Following the adoption of SFRS(I) 9 with effect from 1Q18, business segment results now include both allowances for impaired and non-impaired assets as compared to previous year where allowances for non-impaired assets were reported under Others segment.

The Banking Group is organised into three major business segments - Group Retail, Group Wholesale Banking and Global Markets. Others includes non-banking activities and corporate functions.

Group Retail ("GR")
GR segment covers personal and small enterprise customers.

Customers have access to a diverse range of products and services, including deposits, insurance, card, wealth management, investment, loan and trade financing products which are available across the Group's global branch network.

Compared to a year ago, profit before tax grew 4% to $1.83 billion. Total income increased 4% to $3.95 billion largely supported by net interest income which rose 7% from healthy volume growth and deposit margin improvement. Non-interest income was broadly unchanged while expenses were higher by 7% from ongoing investments in staff and digital capabilities to drive retail franchise growth.

Against the same quarter last year and previous quarter, profit before tax rose 11% and 5% respectively to $465 million driven by improved deposit margin partly offset by increase in staff, technology and revenue-related expenses.

Group Wholesale Banking ("GWB")
GWB encompasses corporate and institutional client segments which include medium and large enterprises, local corporations, multi-national corporations, financial institutions, government-linked entities, financial sponsors and property funds.

GWB provides customers with a broad range of products and services, including financing, trade services, cash management, capital markets solutions and advisory and treasury products.

Compared to a year ago, operating profit grew 10% to $2.98 billion. Total income rose 11% to $3.94 billion, driven by stronger net interest income from double-digit growth in volume and margin improvement on the back of rising interest rates. Non-interest income increased 5% to $1.11 billion from loan-related fees, trade and investment banking. Expenses were 16% higher primarily from continued investments in technology and headcount to support customer franchise and regional expansion. Profit before tax surged 96% to $2.82 billion as credit costs eased in a benign credit environment.

Against the same quarter last year, operating profit grew 7% to $734 million supported mainly from net interest income. As compared to the previous quarter, profit before tax declined 16% to $622 million impacted by higher credit allowances on loans.

Global Markets ("GM")
GM provides a comprehensive suite of treasury products and services across multi-asset classes which includes foreign exchange, interest rate, credit, commodities, equities and structured investment products to help customers manage market risks and volatility. GM also engages in market making activities and management of funding and liquidity.

Income from products and services offered to customers of Group Retail and Group Wholesale Banking are reflected in the respective client segments.

Compared to a year ago, profit before tax rose 16% to $218 million. Total income grew 6% to $465 million from favourable movements in foreign exchange and rates. Expenses declined 3% to $245 million.

Against the same quarter last year, profit before tax increased to $56 million mainly attributable to lower operating expense while total income was relatively unchanged. As compared to the previous quarter, profit before tax was 87% higher on the back of favourable foreign exchange movements and higher trading income.

Others
Others includes corporate support functions and decisions not attributable to business segments mentioned above and other activities, which comprises property, insurance and investment management.

Others registered a loss of $42 million for the year as compared to a net profit of $819 million last year mainly due to gain from sale of equity investments and reversal of allowances for non-impaired assets last year.

Against the same quarter last year and previous quarter, 4Q18 recorded a loss of $39 million from mark-to-market loss on investment positions, partly offset by lower operating expenses and allowances for non-impaired assets.

Performance by Business Segment [1,2] *(cont'd)*

Selected income statement items	**GR**	**GWB**	**GM**	**Others**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
2018					
Net interest income	**2,721**	**2,829**	**125**	**545**	**6,220**
Non-interest income	**1,230**	**1,108**	**340**	**218**	**2,896**
Operating income	**3,951**	**3,937**	**465**	**763**	**9,116**
Operating expenses	**(1,928)**	**(954)**	**(245)**	**(876)**	**(4,003)**
Allowances for credit and other losses	**(192)**	**(178)**	**(2)**	**(21)**	**(393)**
Share of profit of associates and joint ventures	**-**	**14**	**-**	**92**	**106**
Profit before tax	**1,831**	**2,819**	**218**	**(42)**	**4,826**
Tax					**(805)**
Profit for the financial period					**4,021**
Other information:					
Capital expenditure	**68**	**38**	**22**	**388**	**516**
Depreciation of assets	**24**	**11**	**7**	**231**	**273**
2017					
Net interest income	2,550	2,472	237	269	5,528
Non-interest income	1,231	1,060	203	541	3,035
Operating income	3,781	3,532	440	810	8,563
Operating expenses	(1,800)	(819)	(253)	(867)	(3,739)
Allowances for credit and other losses	(218)	(1,280)	1	770	(727)
Share of profit of associates and joint ventures	-	4	-	106	110
Profit before tax	1,763	1,437	188	819	4,207
Tax					(800)
Profit for the financial period					3,407
Other information:					
Capital expenditure	43	25	9	272	349
Depreciation of assets	22	11	7	218	258

Notes:
1 Operating income is presented net of fee and commission expense. Certain comparative figures have been restated to conform with current period's presentation.
2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

Performance by Business Segment [1,2] *(cont'd)*

Selected income statement items	**GR**	**GWB**	**GM**	**Others**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
4Q18					
Net interest income	**712**	**740**	**31**	**125**	**1,608**
Non-interest income	**297**	**266**	**72**	**(27)**	**607**
Operating income	**1,009**	**1,006**	**103**	**98**	**2,216**
Operating expenses	**(514)**	**(272)**	**(57)**	**(141)**	**(984)**
Allowances for credit and other losses	**(30)**	**(103)**	**10**	**(5)**	**(128)**
Share of profit of associates and joint ventures	**-**	**(9)**	**-**	**9**	**0**
Profit before tax	**465**	**622**	**56**	**(39)**	**1,104**
Tax					**(185)**
Profit for the financial period					**919**
Other information:					
Capital expenditure	**21**	**12**	**6**	**120**	**159**
Depreciation of assets	**7**	**3**	**2**	**61**	**73**
3Q18					
Net interest income	695	741	25	138	1,599
Non-interest income	304	262	66	96	728
Operating income	999	1,003	91	234	2,327
Operating expenses	(487)	(237)	(62)	(225)	(1,011)
Allowances for credit and other losses	(69)	(31)	0	4	(95)
Share of profit of associates and joint ventures	-	3	-	22	25
Profit before tax	443	738	30	35	1,246
Tax					(206)
Profit for the financial period					1,040
Other information:					
Capital expenditure	20	11	5	88	124
Depreciation of assets	6	3	2	57	68
4Q17					
Net interest income	643	630	62	126	1,461
Non-interest income	325	279	42	124	771
Operating income	968	909	104	251	2,231
Operating expenses	(490)	(224)	(77)	(236)	(1,027)
Allowances for credit and other losses	(58)	(734)	1	651	(140)
Share of profit of associates and joint ventures	-	3	-	19	22
Profit before tax	420	(46)	27	686	1,087
Tax					(226)
Profit for the financial period					861
Other information:					
Capital expenditure	10	7	3	77	97
Depreciation of assets	6	3	2	59	70

Notes:
1 Operating income is presented net of fee and commission expense. Certain comparative figures have been restated to conform with current period's presentation.
2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

Performance by Business Segment [1,2] *(cont'd)*

Selected balance sheet items	**GR**	**GWB**	**GM**	**Others**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
At 31 December 2018					
Segment assets	**108,115**	**184,530**	**55,657**	**34,482**	**382,784**
Intangible assets	**1,315**	**2,084**	**659**	**80**	**4,138**
Investment in associates and joint ventures	**-**	**167**	**-**	**1,003**	**1,170**
Total assets	**109,430**	**186,781**	**56,316**	**35,565**	**388,092**
Segment liabilities	**142,067**	**157,401**	**37,360**	**13,452**	**350,280**
Other information:					
Gross customer loans	**108,022**	**153,168**	**498**	**19**	**261,707**
Non-performing assets	**1,248**	**2,896**	**7**	**15**	**4,166**
At 30 September 2018					
Segment assets	106,706	175,067	63,812	31,653	377,238
Intangible assets	1,314	2,083	659	81	4,136
Investment in associates and joint ventures	-	163	-	1,100	1,264
Total assets	108,020	177,313	64,471	32,834	382,638
Segment liabilities	140,271	159,549	32,771	13,089	345,680
Other information:					
Gross customer loans	106,723	147,932	451	16	255,122
Non-performing assets	1,163	3,182	8	21	4,374
At 31 December 2017					
Segment assets	103,806	161,230	59,035	29,185	353,256
Intangible assets	1,316	2,086	659	81	4,142
Investment in associates and joint ventures	-	122	-	1,072	1,194
Total assets	105,122	163,438	59,694	30,338	358,592
Segment liabilities	134,532	142,511	33,201	11,312	321,556
Other information:					
Gross customer loans	103,596	132,200	202	30	236,028
Non-performing assets	1,157	3,216	16	-	4,389

Notes:
1 Operating income is presented net of fee and commission expense. Certain comparative figures have been restated to conform with current period's presentation.
2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

Performance by Geographical Segment [1]

	2018	2017	**4Q18**	4Q17	3Q18
	$m	$m	**$m**	$m	$m
Total operating income					
Singapore	**5,123**	4,913	**1,212**	1,276	1,315
Malaysia	**1,068**	985	**279**	262	261
Thailand	**964**	871	**253**	232	243
Indonesia	**444**	461	**116**	112	111
Greater China	**864**	751	**204**	196	217
Others	**653**	582	**153**	153	180
Total	**9,116**	8,563	**2,216**	2,231	2,327
Profit before tax					
Singapore	**2,917**	2,491	**734**	675	734
Malaysia	**600**	581	**153**	129	144
Thailand	**282**	218	**65**	58	79
Indonesia	**77**	29	**21**	(3)	5
Greater China	**443**	419	**57**	103	145
Others	**507**	469	**75**	125	140
Total	**4,826**	4,207	**1,104**	1,087	1,246

Total operating income for 2018 rose 6% year on year to $9.12 billion, led by broad-based growth across most of the geographical segments. Profit before tax also registered a strong growth of 15% to $4.83 billion from a year ago, on the back of strong performance and lower allowances in a fairly benign credit environment.

Compared with the same quarter last year, profit before tax rose 2% to $1.10 billion, led by lower allowances.

Quarter on quarter, profit before tax decreased 11% mainly due to lower trading and investment income and higher allowances on impaired assets.

	Dec-18	Sep-18	Dec-17
	$m	$m	$m
Total assets			
Singapore	**228,478**	222,510	217,979
Malaysia	**40,620**	40,362	35,373
Thailand	**21,946**	22,329	20,988
Indonesia	**9,256**	9,257	9,105
Greater China	**55,021**	55,230	46,298
Others	**28,633**	28,814	24,707
	383,954	378,502	354,450
Intangible assets	**4,138**	4,136	4,142
Total	**388,092**	382,638	358,592

Note:
1 Based on the location where the transactions and assets are booked. Information is stated after elimination of inter-segment transactions.

Capital Adequacy and Leverage Ratios [1,2,3]

	Dec-18	Sep-18	Dec-17
	$m	$m	$m
Share capital	**4,888**	4,931	4,792
Disclosed reserves/others	**30,445**	29,541	28,922
Regulatory adjustments	**(4,583)**	(4,570)	(3,580)
Common Equity Tier 1 Capital ("CET1")	**30,750**	29,902	30,134
Perpetual capital securities/others	**2,129**	2,129	2,976
Regulatory adjustments	**-**	-	(890)
Additional Tier 1 Capital ("AT1")	**2,129**	2,129	2,086
Tier 1 Capital	**32,879**	32,030	32,220
Subordinated notes	**4,186**	4,144	4,150
Provisions/others	**477**	721	983
Regulatory adjustments	**-**	-	(5)
Tier 2 Capital	**4,663**	4,865	5,128
Eligible Total Capital	**37,542**	36,895	37,348
Risk-Weighted Assets ("RWA")	**220,568**	212,502	199,481
Capital Adequacy Ratios ("CAR")			
CET1	**13.9%**	14.1%	15.1%
Tier 1	**14.9%**	15.1%	16.2%
Total	**17.0%**	17.4%	18.7%
Fully-loaded CET1 (fully phased-in per Basel III rules)	**13.9%**	14.1%	14.7%
Leverage Exposure	**434,732**	430,329	400,803
Leverage Ratio	**7.6%**	7.4%	8.0%

The Group's CET1, Tier 1 and Total CAR as at 31 December 2018 were well above the regulatory minimum requirements.

Year on year, total capital was higher mainly from retained earnings, partly offset by redemption of the S$850 million perpetual capital securities and lower eligible provisions. RWA was higher largely due to asset growth.

Total capital was higher quarter on quarter, mainly from retained earnings, partly offset by lower eligible provisions. The higher RWA was mainly due to corporate loan growth.

As at 31 December 2018, the Group's leverage ratio was 7.6%, comfortably above the regulatory minimum requirement of 3%.

Notes:

1 Singapore-incorporated banks are required to maintain minimum CAR as follows: CET1 at 6.5%, Tier 1 at 8% and Total at 10%. In addition, with the phased-in implementation of the capital conservation buffer (CCB) and the countercyclical capital buffer (CCyB) commencing 1 January 2016, the Group is required to maintain CET1 capital to meet CCB of 1.875% and CCyB (computed as the weighted average of effective CCyB in jurisdictions to which the Group has private sector exposures) of up to 1.875% for the year 2018. With effect from 1 January 2018, all regulatory adjustments are fully phased-in, i.e., CET1 CAR is reported on fully-loaded basis.

2 Leverage ratio is calculated in accordance with MAS Notice 637. A minimum ratio of 3% is required effective 1 January 2018.

3 Disclosures required under MAS Notice 637 are published on our website: www.UOBgroup.com/investor-relations/financial/index.html.

Appendix 1

Consolidated Income Statement (Audited)

	2018	2017	+/(-)	4Q18 [2]	4Q17 [2]	+/(-)	3Q18 [2]	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Interest income [1]	**11,141**	9,077	23	**3,038**	2,386	27	2,920	4
Less: Interest expense	**4,921**	3,548	39	**1,430**	926	54	1,321	8
Net interest income	**6,220**	5,528	13	**1,608**	1,461	10	1,599	1
Net fee and commission income	**1,967**	1,873	5	**467**	509	(8)	484	(4)
Dividend income	**27**	23	20	**1**	1	5	5	(77)
Rental income	**119**	119	(0)	**29**	30	(3)	30	(2)
Net trading income	**683**	775	(12)	**118**	186	(37)	174	(32)
Net (loss)/gain from investment securities	**(35)**	127	(>100)	**(59)**	12	(>100)	11	(>100)
Other income	**136**	117	16	**52**	32	61	23	>100
Non-interest income	**2,896**	3,035	(5)	**607**	771	(21)	728	(17)
Total operating income	**9,116**	8,563	6	**2,216**	2,231	(1)	2,327	(5)
Less: Staff costs	**2,447**	2,224	10	**597**	608	(2)	626	(5)
Other operating expenses	**1,556**	1,515	3	**387**	419	(8)	384	1
Total operating expenses	**4,003**	3,739	7	**984**	1,027	(4)	1,011	(3)
Operating profit before allowance	**5,113**	4,824	6	**1,232**	1,205	2	1,317	(6)
Less: Allowances for credit and other losses	**393**	727	(46)	**128**	140	(9)	95	34
Operating profit after allowance	**4,720**	4,097	15	**1,104**	1,064	4	1,222	(10)
Share of profit of associates and joint ventures	**106**	110	(4)	**0**	22	(99)	25	(99)
Profit before tax	**4,826**	4,207	15	**1,104**	1,087	2	1,246	(11)
Less: Tax	**805**	800	1	**185**	226	(18)	206	(10)
Profit for the financial period	**4,021**	3,407	18	**919**	861	7	1,040	(12)
Attributable to:								
Equity holders of the Bank	**4,008**	3,390	18	**916**	855	7	1,037	(12)
Non-controlling interests	**13**	16	(21)	**3**	6	(42)	3	18
	4,021	3,407	18	**919**	861	7	1,040	(12)

1 Included interest income on financial assets at fair value through profit or loss of $36 million, $19 million and $10 million for 4Q17, 3Q18 and 4Q18 respectively.

	2018	2017	+/(-) %
Total operating income			
First half	**4,573**	**4,167**	10
Second half	**4,543**	**4,396**	3
Profit for the financial year attributed to equity holders of the Bank			
First half	**2,055**	**1,652**	24
Second half	**1,953**	**1,738**	12

Note:
2 Unaudited.

Consolidated Statement of Comprehensive Income (Audited)

	2018	2017	+/(-)	**4Q18**[1]	4Q17[1]	+/(-)	3Q18[1]	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Profit for the financial period	**4,021**	3,407	18	**919**	861	7	1,040	(12)
Other comprehensive income that will not be reclassified to income statement								
Net gains/(losses) on equity instruments at fair value through other comprehensive income	**(308)**	-	NM	**(91)**	-	NM	(80)	(14)
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**13**	-	NM	**(18)**	-	NM	(18)	1
Remeasurement of defined benefit obligation	**8**	(7)	>100	**2**	(7)	>100	6	(64)
Related tax on items fair value through other comprehensive income	**9**	-	NM	**12**	-	NM	12	3
	(278)	(7)	(>100)	**(95)**	**(7)**	(>100)	(81)	(18)
Other comprehensive income that may be subsequently reclassified to income statement								
Currency translation adjustments	**(69)**	(66)	(6)	**(0)**	67	(>100)	(121)	100
Debt instruments at fair value through other comprehensive income								
Change in fair value	**(192)**	-	NM	**33**	-	NM	39	(13)
Transfer to income statement on disposal	**40**	-	NM	**14**	-	NM	5	>100
Changes in allowance for expected credit losses	**4**	-	NM	**8**	-	NM	(5)	>100
Related tax	**3**	-	NM	**(3)**	-	NM	(8)	61
Available-for-sale financial assets								
Change in fair value	**-**	589	NM	**-**	(93)	NM	-	-
Transfer to income statement on disposal/impairment	**-**	(61)	NM	**-**	2	NM	-	-
Related tax	**-**	(18)	NM	**-**	21	NM	-	-
	(214)	444	(>100)	**52**	(3)	>100	(91)	>100
Change in shares of other comprehensive income of associates and joint ventures	**(8)**	(3)	(>100)	**3**	(3)	>100	(3)	>100
Other comprehensive income for the financial period, net of tax	**(500)**	434	(>100)	**(40)**	(13)	(>100)	(174)	77
Total comprehensive income for the financial period, net of tax	**3,521**	3,840	(8)	**880**	848	4	866	2
Attributable to:								
Equity holders of the Bank	**3,511**	3,817	(8)	**879**	843	4	863	2
Non-controlling interests	**10**	23	(57)	**1**	5	(82)	3	(69)
	3,521	3,840	(8)	**880**	848	4	866	2

Note:
1 Unaudited.

Consolidated Balance Sheet (Audited)

	Dec-18	Sep-18[1]	Dec-17
	$m	$m	$m
Equity			
Share capital and other capital	**7,014**	7,057	7,766
Retained earnings	**21,716**	20,863	19,707
Other reserves	**8,893**	8,848	9,377
Equity attributable to equity holders of the Bank	**37,623**	36,768	36,850
Non-controlling interests	**190**	190	187
Total	**37,813**	36,959	37,037
Liabilities			
Deposits and balances of banks	**13,801**	14,811	11,440
Deposits and balances of customers	**293,186**	293,634	272,765
Bills and drafts payable	**638**	769	702
Other liabilities	**12,050**	12,559	11,469
Debts issued	**30,606**	23,906	25,178
Total	**350,280**	345,680	321,556
Total equity and liabilities	**388,092**	382,638	358,592
Assets			
Cash, balances and placements with central banks	**25,252**	24,375	26,625
Singapore Government treasury bills and securities	**5,615**	5,761	4,267
Other government treasury bills and securities	**13,201**	12,393	11,709
Trading securities	**1,929**	2,075	1,766
Placements and balances with banks	**50,800**	54,954	52,181
Loans to customers	**258,627**	251,755	232,212
Investment securities	**13,553**	12,467	11,273
Other assets	**10,530**	10,258	10,164
Investment in associates and joint ventures	**1,170**	1,264	1,194
Investment properties	**1,012**	1,038	1,088
Fixed assets	**2,266**	2,161	1,971
Intangible assets	**4,138**	4,136	4,142
Total	**388,092**	382,638	358,592
Off-balance sheet items			
Contingent liabilities	**31,003**	31,524	26,415
Financial derivatives	**922,170**	987,792	961,880
Commitments	**151,494**	146,065	136,664
Net asset value per ordinary share ($)	**21.31**	20.78	20.37

Note:

1 Unaudited.

Consolidated Statement of Changes in Equity (Audited)

	Attributable to equity holders of the Bank					
	Share capital and other capital $m	Retained earnings $m	Other reserves $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2018	**7,766**	**19,707**	**9,377**	**36,850**	**187**	**37,037**
Impact of adopting SFRS(I) 9	**-**	**59**	**1**	**60**	**(1)**	**59**
Restated opening balance under SFRS(I) 9	**7,766**	**19,766**	**9,378**	**36,910**	**186**	**37,095**
Profit for the financial year	**-**	**4,008**	**-**	**4,008**	**13**	**4,021**
Other comprehensive income for the financial year	**-**	**8**	**(505)**	**(497)**	**(3)**	**(500)**
Total comprehensive income for the financial year	**-**	**4,016**	**(505)**	**3,511**	**10**	**3,521**
Transfers	**-**	**(24)**	**24**	**-**	**-**	**-**
Change in non-controlling interests	**-**	**1**	**-**	**1**	**2**	**3**
Dividends	**-**	**(2,043)**	**-**	**(2,043)**	**(9)**	**(2,052)**
Shares re-purchased - held in treasury	**(212)**	**-**	**-**	**(212)**	**-**	**(212)**
Shares issued under scrip dividend scheme	**267**	**-**	**-**	**267**	**-**	**267**
Share-based compensation	**-**	**-**	**40**	**40**	**-**	**40**
Reclassification of share-based compensation reserves on expiry	**-**	**0**	**(0)**	**-**	**-**	**-**
Shares issued under share-based compensation plans	**41**	**-**	**(41)**	**-**	**-**	**-**
Redemption of perpetual capital securities	**(847)**	**-**	**(3)**	**(850)**	**-**	**(850)**
Balance at 31 December 2018	**7,014**	**21,716**	**8,893**	**37,623**	**190**	**37,813**
Balance at 1 January 2017	6,351	17,334	9,189	32,873	169	33,042
Profit for the financial year	-	3,390	-	3,390	16	3,407
Other comprehensive income for the financial year	-	(7)	434	427	7	434
Total comprehensive income for the financial year	-	3,383	434	3,817	23	3,840
Transfers	-	238	(238)	-	-	-
Change in non-controlling interests	-	-	(0)	(0)	1	0
Dividends	-	(1,249)	-	(1,249)	(6)	(1,254)
Shares issued under scrip dividend scheme	488	-	-	488	-	488
Share-based compensation	-	-	40	40	-	40
Reclassification of share-based compensation reserves on expiry	-	1	(1)	-	-	-
Shares issued under share-based compensation plans	47	-	(47)	-	-	-
Perpetual capital securities issued	879	-	-	879	-	879
Balance at 31 December 2017	7,766	19,707	9,377	36,850	187	37,037

Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to equity holders of the Bank					
	Share capital and other capital	**Retained earnings**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Balance at 1 October 2018	**7,057**	**20,863**	**8,848**	**36,768**	**190**	**36,959**
Impact of adopting SFRS(I) 9	**-**	**(3)**	**59**	**56**	**0**	**57**
Restated opening balance under SFRS(I) 9	**7,057**	**20,860**	**8,908**	**36,825**	**191**	**37,015**
Profit for the financial period	-	**916**	**-**	**916**	**3**	**919**
Other comprehensive income for the financial period	**-**	**2**	**(39)**	**(37)**	**(2)**	**(40)**
Total comprehensive income for the financial period	**-**	**918**	**(39)**	**879**	**1**	**880**
Transfers	**-**	**(18)**	**18**	**-**	**-**	**-**
Change in non-controlling interests	**-**	**1**	**-**	**1**	**(2)**	**(1)**
Dividends	**-**	**(45)**	**-**	**(45)**	**(0)**	**(45)**
Shares re-purchased - held in treasury	**(45)**	**-**	**-**	**(45)**	**-**	**(45)**
Share-based compensation	**-**	**-**	**9**	**9**	**-**	**9**
Reclassification of share-based compensation reserves on expiry	**-**	**0**	**(0)**	**-**	**-**	**-**
Shares issued under share-based compensation plans	**2**	**-**	**(2)**	**-**	**-**	**-**
Balance at 31 December 2018	**7,014**	**21,716**	**8,893**	**37,623**	**190**	**37,813**
Balance at 1 October 2017	6,878	18,879	9,390	35,147	182	35,329
Profit for the financial period	-	855	-	855	6	861
Other comprehensive income for the financial period	-	(7)	(5)	(12)	(1)	(13)
Total comprehensive income for the financial period	-	848	(5)	843	5	848
Transfers	-	6	(6)	-	-	-
Change in non-controlling interests	-	-	(0)	(0)	(0)	(0)
Dividends	-	(27)	-	(27)	(0)	(27)
Share-based compensation	-	-	8	8	-	8
Reclassification of share-based compensation reserves on expiry	-	1	(1)	-	-	-
Shares issued under share-based compensation plans	8	-	(8)	-	-	-
Perpetual capital securities issued	879	-	-	879	-	879
Balance at 31 December 2017	7,766	19,707	9,377	36,850	187	37,037

Consolidated Cash Flow Statement (Audited)

	2018	2017	4Q18[1]	4Q17[1]
	$m	$m	$m	$m
Cash flows from operating activities				
Profit for the financial period	**4,021**	3,407	**919**	861
Adjustments for:				
Allowances for credit and other losses	**393**	727	**128**	140
Share of profit of associates and joint ventures	**(106)**	(110)	**(0)**	(22)
Tax	**805**	800	**185**	226
Depreciation of assets	**273**	258	**73**	70
Net loss/(gain) on disposal of assets	**14**	(200)	**3**	(24)
Share-based compensation	**40**	41	**8**	8
Operating profit before working capital changes	**5,439**	4,923	**1,317**	1,258
Change in working capital:				
Deposits and balances of banks	**2,457**	(351)	**(962)**	(1,520)
Deposits and balances of customers	**21,168**	18,539	**164**	5,557
Bills and drafts payable	**(68)**	177	**(129)**	(137)
Other liabilities	**337**	(212)	**(485)**	1,927
Restricted balances with central banks	**(19)**	272	**(170)**	339
Government treasury bills and securities	**(2,930)**	1,479	**(718)**	(1,865)
Trading securities	**(168)**	1,429	**140**	(166)
Placements and balances with banks	**1,280**	(12,662)	**4,031**	(5,722)
Loans to customers	**(27,032)**	(12,907)	**(7,426)**	(4,017)
Investment securities	**(2,852)**	986	**(1,163)**	755
Other assets	**(512)**	2,897	**(299)**	(392)
Cash (used in)/generated from operations	**(2,898)**	4,571	**(5,700)**	(3,983)
Income tax paid	**(809)**	(662)	**(192)**	(103)
Net cash (used in)/provided by operating activities	**(3,707)**	3,909	**(5,892)**	(4,087)
Cash flows from investing activities				
Capital injection into associates and joint ventures	**(47)**	(48)	**(15)**	(21)
Acquisition of associates and joint ventures	**-**	(0)	**-**	-
Proceeds from disposal of associates and joint ventures	**110**	-	**110**	-
Distribution from associates and joint ventures	**51**	43	**4**	17
Acquisition of properties and other fixed assets	**(516)**	(349)	**(159)**	(97)
Proceeds from disposal of properties and other fixed assets	**35**	13	**15**	0
Change in non-controlling interests	**4**	0	**0**	0
Net cash used in investing activities	**(362)**	(341)	**(44)**	(100)
Cash flows from financing activities				
Perpetual capital securities issued	**-**	879	**-**	879
Redemption of perpetual capital securities	**(850)**	-	**-**	**-**
Issuance of debts issued	**40,411**	44,601	**13,194**	9,790
Redemption of debts issued	**(34,904)**	(45,067)	**(6,476)**	(10,084)
Shares re-purchased - held in treasury	**(212)**	-	**(45)**	**-**
Change in non-controlling interests	**(2)**	0	**(2)**	(1)
Dividends paid on ordinary shares	**(1,647)**	(665)	**-**	-
Distribution for perpetual capital securities	**(129)**	(95)	**(45)**	(27)
Dividends paid to non-controlling interests	**(9)**	(6)	**(0)**	(0)
Net cash provided by/(used in) financing activities	**2,658**	(352)	**6,625**	557
Currency translation adjustments	**31**	(641)	**12**	(217)
Net (decrease)/increase in cash and cash equivalents	**(1,380)**	2,574	**702**	(3,846)
Cash and cash equivalents at beginning of the financial period	**20,975**	18,401	**18,893**	24,822
Impact of adopting SFRS(I) 9 at beginning of the financial period	**22**	-	**22**	-
Cash and cash equivalents at end of the financial period	**19,617**	20,975	**19,617**	20,975

Note:
1 Unaudited.

Balance Sheet of the Bank (Audited)

	Dec-18	Sep-18 [1]	Dec-17
	$m	$m	$m
Equity			
Share capital and other capital	**7,014**	7,057	7,766
Retained earnings	**16,118**	15,457	14,701
Other reserves	**9,598**	9,631	10,045
Total	**32,729**	32,144	32,512
Liabilities			
Deposits and balances of banks	**12,071**	13,743	10,870
Deposits and balances of customers	**227,259**	230,858	215,212
Deposits and balances of subsidiaries	**13,562**	9,307	6,505
Bills and drafts payable	**359**	476	492
Other liabilities	**8,233**	8,346	7,434
Debts issued	**28,905**	22,207	23,890
Total	**290,389**	284,937	264,404
Total equity and liabilities	**323,118**	317,082	296,916
Assets			
Cash, balances and placements with central banks	**20,783**	20,088	19,960
Singapore Government treasury bills and securities	**5,609**	5,761	4,267
Other government treasury bills and securities	**5,668**	5,709	6,236
Trading securities	**1,795**	1,938	1,502
Placements and balances with banks	**39,812**	41,631	42,772
Loans to customers	**201,789**	196,687	180,521
Placements with and advances to subsidiaries	**16,363**	15,457	12,485
Investment securities	**11,668**	10,969	10,495
Other assets	**7,301**	6,686	6,878
Investment in associates and joint ventures	**363**	353	338
Investment in subsidiaries	**6,014**	5,912	5,744
Investment properties	**1,079**	1,098	1,119
Fixed assets	**1,692**	1,611	1,417
Intangible assets	**3,182**	3,182	3,182
Total	**323,118**	317,082	296,916
Off-balance sheet items			
Contingent liabilities	**19,377**	20,775	17,500
Financial derivatives	**754,822**	799,820	788,002
Commitments	**123,815**	120,124	114,167
Net asset value per ordinary share ($)	**18.37**	18.00	17.77

Note:

1 Unaudited.

Statement of Changes in Equity of the Bank (Audited)

	Share capital and other capital	Retained earnings	Other reserves	Total equity
	$m	$m	$m	$m
Balance at 1 January 2018	**7,766**	**14,701**	**10,045**	**32,512**
Impact of adopting SFRS(I) 9	**-**	**96**	**(29)**	**67**
Restated opening balance under SFRS(I) 9	**7,766**	**14,797**	**10,017**	**32,579**
Profit for the financial year	**-**	**3,363**	**-**	**3,363**
Other comprehensive income for the financial year	**-**	**0**	**(415)**	**(415)**
Total comprehensive income for the financial year	**-**	**3,363**	**(415)**	**2,948**
Transfers	**-**	**0**	**(0)**	**-**
Dividends	**-**	**(2,043)**	**-**	**(2,043)**
Shares re-purchased - held in treasury	**(212)**	**-**	**-**	**(212)**
Shares issued under scrip dividend scheme	**267**	**-**	**-**	**267**
Share-based compensation	**-**	**-**	**40**	**40**
Reclassification of share-based compensation reserves on expiry	**-**	**0**	**(0)**	**-**
Shares issued under share-based compensation plans	**41**	**-**	**(41)**	**-**
Redemption of perpetual capital securities	**(847)**	**-**	**(3)**	**(850)**
Balance at 31 December 2018	**7,014**	**16,118**	**9,598**	**32,729**
Balance at 1 January 2017	6,351	13,031	9,625	29,007
Profit for the financial year	-	2,845	-	2,845
Other comprehensive income for the financial year	-	(0)	416	416
Total comprehensive income for the financial year	-	2,845	416	3,261
Transfers	-	2	(2)	-
Dividends	-	(1,249)	-	(1,249)
Shares issued under scrip dividend scheme	488	-	-	488
Share-based compensation	-	-	40	40
Reclassification of share-based compensation reserves on expiry	-	1	(1)	-
Shares issued under share-based compensation plans	47	-	(47)	-
Perpetual capital securities issued	879	-	-	879
Transfer from subsidiary upon merger	-	70	14	84
Balance at 31 December 2017	7,766	14,701	10,045	32,512

Statement of Changes in Equity of the Bank (Unaudited)

	Share capital and other capital $m	Retained earnings $m	Other reserves $m	Total equity $m
Balance at 1 October 2018	**7,057**	**15,457**	**9,631**	**32,144**
Impact of adopting SFRS(I) 9	**-**	**3**	**5**	**9**
Restated opening balance under SFRS(I) 9	**7,057**	**15,460**	**9,636**	**32,153**
Profit for the financial period	**-**	**696**	**-**	**696**
Other comprehensive income for the financial period	**-**	**(0)**	**(39)**	**(39)**
Total comprehensive income for the financial period	**-**	**696**	**(39)**	**657**
Transfers	**-**	**6**	**(6)**	**-**
Dividends	**-**	**(45)**	**-**	**(45)**
Shares re-purchased - held in treasury	**(45)**	**-**	**-**	**(45)**
Share-based compensation	**-**	**-**	**9**	**9**
Reclassification of share-based compensation reserves on expiry	**-**	**0**	**(0)**	**-**
Shares issued under share-based compensation plans	**2**	**-**	**(2)**	**-**
Balance at 31 December 2018	**7,014**	**16,118**	**9,598**	**32,729**
Balance at 1 October 2017	6,878	13,954	10,094	30,927
Profit for the financial period	-	702	-	702
Other comprehensive income for the financial period	-	-	(61)	(61)
Total comprehensive income for the financial period	-	702	(61)	641
Dividends	-	(27)	-	(27)
Share-based compensation	-	-	8	8
Reclassification of share-based compensation reserves on expiry	-	1	(1)	-
Shares issued under share-based compensation plans	8	-	(8)	-
Perpetual capital securities issued	879	-	-	879
Transfer from subsidiary upon merger	-	70	14	84
Balance at 31 December 2017	7,766	14,701	10,045	32,512

Capital Adequacy Ratios of Significant Banking Subsidiaries

The CAR information of the Group's significant banking subsidiaries is prepared based on the capital adequacy framework of the countries in which they operate.

	Dec-18			
	Total Risk-Weighted Assets	Capital Adequacy Ratios		
		CET1	Tier 1	Total
	$m	%	%	%
United Overseas Bank (Malaysia) Bhd	**19,615**	**14.1**	**14.1**	**17.3**
United Overseas Bank (Thai) Public Company Limited	**13,173**	**16.8**	**16.8**	**19.2**
PT Bank UOB Indonesia	**8,118**	**13.1**	**13.1**	**15.3**
United Overseas Bank (China) Limited	**10,186**	**13.1**	**13.1**	**14.0**

The extract of the auditor's report dated 21 February 2019, on the financial statements of United Overseas Bank Limited and Its Subsidiaries for the financial year ended 31 December 2018, is as follows:

United Overseas Bank Limited and Its Subsidiaries
Independent Auditor's Report for the financial year ended 31 December 2018

Independent Auditor's Report to the Members of United Overseas Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group), set out on pages 12 to 111, which comprise the balance sheets of the Bank and the Group at 31 December 2018, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and the Group and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank, are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)), so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the financial performance and changes in equity of the Bank for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><th>Areas of focus</th><th>How our audit addressed the risk factors</th></tr>
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Adoption of Singapore Financial Reporting Standard (International) 9 Financial Instruments (SFRS(I) 9)
Refer to Notes 2s(i), 2s(ii), 27d and 46 to the consolidated financial statements on pages 28, 28, 60 to 61 and 108 to 111 respectively.
On 1 January 2018, the Group adopted SFRS(I) as disclosed in Note 2b(i). The adoption includes SFRS(I) 9, which replaces Financial Reporting Standard 39 Financial Instruments: Recognition and Measurement (FRS 39).
The adoption of SFRS(I) 9 is a key area of focus because the changes introduced by the standard could have a significant impact on the Group's and the Bank's financial statements. Under the new impairment model, losses are recognised on an expected credit loss (ECL) basis. ECLs are required to incorporate forward-looking information, reflecting management's view of the potential future economic environment. The new standard introduces significant complexity and required management to develop new methodologies which involve significant judgement.
Separately, SFRS(I) 9 introduced new requirements for classification and measurement (C&M) of financial instruments. The transition impact from the adoption of SFRS(I) 9 due to the reclassification and re-measurement of certain financial instruments was an increase in retained earnings of $0.2 billion (pre-tax) and a decrease in the fair value reserves of $0.2 billion.
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We assessed the design and tested the operating effectiveness of the key controls over the Group's ECL computation processes for the non credit-impaired exposures, as well as the governance process over:
key assumptions, such as the forward-looking information applied in the ECL models; and
management overlays.
The results of our test of controls allowed us to rely on these controls to carry on with our planned nature, timing, and extent of our detailed audit procedures.
In testing the ECL models, we involved our internal specialists to review the methodology and to challenge the key modelling assumptions by performing sensitivity analyses on selected portfolios to changes in modelling assumptions. This included significant areas of judgment such as the criteria for significant increase in credit risk (SICR) and forward-looking information.
For a sample of exposures,
we checked the loans are transferred from Stage 1 to 2 should the criteria for SICR be met;
we tested the reasonableness of the PD, LGD and EAD used in the computations to derive the ECL amount for the exposure; and
we tested loans (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairments were identified in a timely manner.
For the credit-impaired loans, we have assessed the reasonableness of the definition of default that is adopted by the Group. In addition, on a sample basis, we assessed management's assumptions about the recoverable cash flows, valuation of collaterals, estimates of recoverable amounts on default and other sources of repayment, and where possible, compared these key assumptions to external references.
In assessing the Group's C&M decisions and the impact to the Group on the transition date, we obtained an understanding of the Group's portfolio segmentation approach and focused our assessment on the following areas:
the basis used in the business model assessment of selected portfolios; and
the cash flow characteristics of a selected sample of financial assets to ensure the appropriate classifications were assigned.
Additionally, we tested the underlying disclosures relating to the transition impact and traced the disclosed impact to underlying accounting records.
The results of our assessment of the Group's ECL are within our expectations. In addition, the Group's decisions on the C&M of the financial instruments and the transition adjustments are in line with our evaluation.
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Areas of focus	***How our audit addressed the risk factors***
Valuation of illiquid or complex financial instruments *Refer to Notes 2s(iii) and 18b to the consolidated financial statements on pages 28 and 47 to 48 respectively.* At 31 December 2018, 7% ($5 billion) of the Group's total financial instruments that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised unquoted equity investments and funds. Long dated equity derivatives, callable interest rate swaps and unquoted debt securities. The valuation of Level 3 financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing certain instruments and the significance of the judgements and estimates made by management. The determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data.	We assessed the design and tested the operating effectiveness of the key controls over the Group's Level 3 financial instruments valuation processes. This included the controls over: • the validation of new and existing valuation models; • the independent price verifications; • the assessment of the observability of pricing inputs; and • the completeness and accuracy of pricing inputs. The results of our test of controls allowed us to rely on these controls for our audit. We also involved our internal specialists to assess the reasonableness of the valuation methodologies, assumptions and inputs used by management for a sample of financial instruments with significant unobservable inputs. Overall, the results of our assessment of the Group's valuation of illiquid or complex financial instruments were within the range of expected outcomes.

Areas of focus	*How our audit addressed the risk factors*
Impairment of goodwill *Refer to Notes 2s(iv) and 36b to the consolidated financial statements on pages 28 and 75 respectively.* As at 31 December 2018, the Group's balance sheet included goodwill of $4 billion arising from the Group's acquisition of Overseas Union Bank (OUB), United Overseas Bank (Thai) Public Company Limited (UOBT) and PT Bank UOB Indonesia (UOBI) in prior years. The goodwill is allocated to the respective cash-generating units (CGUs) defined by the Group's operating segments. We focused on this area because the impairment test relies on the calculation of the value-in-use (VIU) of each CGU, which involves significant management judgment and assumptions about the future cash flows of the CGUs and the discount rates applied.	Our audit procedures focused on the following key assumptions used in the goodwill impairment tests: • cash flow projections; • growth rates; and • discount rates. We assessed the cash flow projections by reviewing historical achievement of the projections and considered the reasons for significant deviations. The methodologies and assumptions used to compute the VIU of each CGU were critically assessed by our internal specialists. Key market-related assumptions such as the long-term growth rates and discount rates were benchmarked against external industry and economic data. We also performed sensitivity analyses to determine the impact of a reasonably possible change in the key assumptions to the VIU calculations to identify any CGUs with a risk of impairment. Based on the results of our audit procedures, the assumptions used by management in its goodwill impairment tests were within a reasonable range of expectations.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report (Other Sections), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Winston Ngan.

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore

21 February 2019