

## 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 22<sup>nd</sup> day of February 2019

The results are also available at [www.UOBgroup.com](http://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



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### Attachment: Independent Auditor's Report

#### 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	+ / (-)
			%			%		%
<b>Selected income statement items (\$m)</b>								
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 <sup>1</sup>	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 <sup>1</sup>	37,628	36,850	2	37,628	36,850	2	36,768	2

## Key financial ratios (%)

Net interest margin <sup>2</sup>	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) <sup>2</sup>								
Non-impaired	1	(32)		(2)	(107)		3	
Impaired	15	61		22	125		15	
Total	16	28		20	17		18	
NPL ratio <sup>3</sup>	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
<b>Key financial ratios (%) (cont'd)</b>					
Return on average ordinary shareholders' equity <sup>1,2</sup>	<b>11.3</b>	10.2	<b>10.2</b>	9.8	11.7
Return on average total assets <sup>1</sup>	<b>1.07</b>	0.98	<b>0.95</b>	0.97	1.09
Return on average risk-weighted assets <sup>1</sup>	<b>1.93</b>	1.63	<b>1.68</b>	1.69	1.99
Loan/Deposit ratio <sup>3</sup>	<b>88.2</b>	85.1	<b>88.2</b>	85.1	85.7
Liquidity coverage ratios ("LCR") <sup>4</sup>					
All-currency	<b>135</b>	147	<b>127</b>	135	142
Singapore dollar	<b>209</b>	200	<b>220</b>	170	235
Net stable funding ratio ("NSFR") <sup>5</sup>	<b>107</b>	NA	<b>107</b>	NA	110
Capital adequacy ratios					
Common Equity Tier 1	<b>13.9</b>	15.1	<b>13.9</b>	15.1	14.1
Tier 1	<b>14.9</b>	16.2	<b>14.9</b>	16.2	15.1
Total	<b>17.0</b>	18.7	<b>17.0</b>	18.7	17.4
Leverage ratio <sup>6</sup>	<b>7.6</b>	8.0	<b>7.6</b>	8.0	7.4
Earnings per ordinary share (\$) <sup>1,2</sup>					
Basic	<b>2.34</b>	1.99	<b>2.15</b>	1.98	2.43
Diluted	<b>2.33</b>	1.98	<b>2.14</b>	1.98	2.42
Net asset value ("NAV") per ordinary share (\$) <sup>7</sup>	<b>21.31</b>	20.37	<b>21.31</b>	20.37	20.78
Revalued NAV per ordinary share (\$) <sup>7</sup>	<b>24.19</b>	23.19	<b>24.19</b>	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](http://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](http://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.

## **Performance Review (cont'd)**

### **4Q18 versus 4Q17**

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.

### **4Q18 versus 3Q18**

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	%
<b>Interest bearing assets</b>						
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
<b>Total</b>	<b>341,962</b>	<b>11,141</b>	<b>3.26</b>	<b>312,185</b>	<b>9,077</b>	<b>2.91</b>
<b>Interest bearing liabilities</b>						
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
<b>Total</b>	<b>326,887</b>	<b>4,921</b>	<b>1.51</b>	<b>300,786</b>	<b>3,548</b>	<b>1.18</b>
<b>Net interest margin <sup>1</sup></b>			<b>1.82</b>			<b>1.77</b>

	4Q18			4Q17			3Q18		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
<b>Interest bearing assets</b>									
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
<b>Total</b>	<b>355,326</b>	<b>3,038</b>	<b>3.39</b>	<b>320,015</b>	<b>2,386</b>	<b>2.96</b>	<b>349,712</b>	<b>2,920</b>	<b>3.31</b>
<b>Interest bearing liabilities</b>									
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
<b>Total</b>	<b>339,542</b>	<b>1,430</b>	<b>1.67</b>	<b>306,435</b>	<b>926</b>	<b>1.20</b>	<b>334,238</b>	<b>1,321</b>	<b>1.57</b>
<b>Net interest margin <sup>1</sup></b>			<b>1.80</b>			<b>1.81</b>			<b>1.81</b>

Note:

<sup>1</sup> 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
<b>Interest income</b>									
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
<b>Total</b>	<b>798</b>	<b>1,266</b>	<b>2,064</b>	<b>267</b>	<b>385</b>	<b>652</b>	<b>63</b>	<b>55</b>	<b>119</b>
<b>Interest expense</b>									
Customer deposits	254	810	1,065	75	301	376	3	58	61
Interbank balances/others	56	252	308	27	101	128	24	24	48
<b>Total</b>	<b>310</b>	<b>1,062</b>	<b>1,373</b>	<b>103</b>	<b>402</b>	<b>504</b>	<b>27</b>	<b>82</b>	<b>109</b>
Change in number of days	-	-	-	-	-	-	-	-	-
<b>Net interest income</b>	<b>488</b>	<b>204</b>	<b>692</b>	<b>165</b>	<b>(17)</b>	<b>148</b>	<b>36</b>	<b>(27)</b>	<b>9</b>

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	%
<b>Net fee and commission income</b>								
Credit card <sup>1</sup>	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 <sup>2</sup>	545	471	16	121	133	(9)	135	(10)
Service charges	154	148	4	43	41	6	37	17
Trade-related <sup>3</sup>	296	272	9	76	72	6	74	3
Others	63	80	(21)	14	18	(24)	15	(5)
	<b>2,303</b>	2,161	7	<b>551</b>	585	(6)	568	(3)
Less: Fee and commission expenses <sup>4</sup>	<b>(336)</b>	(289)	(16)	<b>(84)</b>	(76)	(12)	(84)	(0)
	<b>1,967</b>	1,873	5	<b>467</b>	509	(8)	484	(4)
<b>Other non-interest income</b>								
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
	<b>930</b>	1,162	(20)	<b>140</b>	262	(46)	244	(42)
Total	<b>2,896</b>	3,035	(5)	<b>607</b>	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:

- Credit card fees are net of interchange fees paid.
- Loan-related fees include fees earned from corporate finance activities.
- Trade-related fees include trade, remittance and guarantees related fees.
- 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	%
<b>Staff costs</b>	<b>2,447</b>	2,224	10	<b>597</b>	608	(2)	626	(5)
<b>Other operating expenses</b>								
Revenue-related <sup>1</sup>	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
	<b>1,556</b>	1,515	3	<b>387</b>	419	(8)	384	1
<b>Total</b>	<b>4,003</b>	3,739	7	<b>984</b>	1,027	(4)	1,011	(3)
Of which,								
Depreciation of assets	273	258	6	73	70	4	68	7
Manpower (number)	<b>26,153</b>	25,137	4	<b>26,153</b>	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

	<b>2018</b>	2017	+ / (-)	<b>4Q18</b>	4Q17	+ / (-)	3Q18	+ / (-)
	<b>\$m</b>	\$m	%	<b>\$m</b>	\$m	%	\$m	%
<b>Allowances for non-impaired assets</b>	<b>19</b>	(747)	>100	<b>(6)</b>	(641)	99	8	(>100)
<b>Allowances for impaired loans <sup>1</sup></b>	<b>376</b>	1,407	(73)	<b>146</b>	744	(80)	94	55
Singapore	<b>201</b>	733	(73)	<b>162</b>	359	(55)	20	>100
Malaysia	<b>(21)</b>	177	(>100)	<b>(36)</b>	81	(>100)	15	(>100)
Thailand	<b>111</b>	131	(16)	<b>24</b>	50	(53)	32	(27)
Indonesia	<b>123</b>	258	(52)	<b>46</b>	204	(78)	19	>100
Greater China <sup>2</sup>	<b>16</b>	39	(59)	<b>9</b>	1	>100	6	42
Others	<b>(54)</b>	68	(>100)	<b>(58)</b>	50	(>100)	3	(>100)
<b>Allowances for impaired securities and others</b>	<b>(2)</b>	68	(>100)	<b>(12)</b>	37	(>100)	(7)	(72)
<b>Total</b>	<b>393</b>	727	(46)	<b>128</b>	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	<b>261,707</b>	255,122	236,028
Less: Allowances for non-impaired loans	<b>1,571</b>	1,586	1,961
Allowances for impaired loans	<b>1,508</b>	1,781	1,855
Net customer loans	<b>258,627</b>	251,755	232,212
<b>By industry</b>			
Transport, storage and communication	<b>10,185</b>	9,996	9,388
Building and construction	<b>63,139</b>	60,174	53,646
Manufacturing	<b>21,112</b>	21,507	18,615
Financial institutions, investment and holding companies	<b>23,199</b>	22,698	19,090
General commerce	<b>32,928</b>	32,365	30,664
Professionals and private individuals	<b>29,288</b>	28,934	28,182
Housing loans	<b>68,387</b>	67,631	65,569
Others	<b>13,469</b>	11,816	10,874
Total (gross)	<b>261,707</b>	255,122	236,028
<b>By currency</b>			
Singapore dollar	<b>123,347</b>	119,752	115,750
US dollar	<b>50,674</b>	50,377	44,507
Malaysian ringgit	<b>25,328</b>	24,929	24,000
Thai baht	<b>15,600</b>	15,161	14,006
Indonesian rupiah	<b>5,288</b>	5,014	4,853
Others	<b>41,471</b>	39,888	32,912
Total (gross)	<b>261,707</b>	255,122	236,028
<b>By maturity</b>			
Within 1 year	<b>104,686</b>	103,778	92,969
Over 1 year but within 3 years	<b>48,826</b>	45,505	42,828
Over 3 years but within 5 years	<b>30,452</b>	28,763	24,851
Over 5 years	<b>77,744</b>	77,075	75,379
Total (gross)	<b>261,707</b>	255,122	236,028
<b>By geography <sup>1</sup></b>			
Singapore	<b>137,176</b>	133,018	127,602
Malaysia	<b>29,315</b>	28,980	26,948
Thailand	<b>16,813</b>	16,363	14,977
Indonesia	<b>11,289</b>	11,114	10,718
Greater China	<b>40,081</b>	38,882	32,301
Others	<b>27,033</b>	26,765	23,482
Total (gross)	<b>261,707</b>	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:

<sup>1</sup> 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 <sup>1</sup>	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		NPL	
	NPL	ratio	NPL	ratio	NPL	ratio
	\$m	%	\$m	%	\$m	%
<b>NPL by industry</b>						
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:

<sup>1</sup> Comprise mainly marine vessels.

**Non-Performing Assets (cont'd)**

NPL by geography <sup>1</sup>	NPL/NPA		Allowances for impaired assets		Allowances for impaired assets as a % of NPL/NPA	
	\$m	NPL ratio %	\$m		%	
<b>Singapore</b>						
<b>Dec-18</b>	<b>2,085</b>	<b>1.5</b>	<b>818</b>		<b>39</b>	
Sep-18	1,963	1.5	827		42	
Dec-17	2,058	1.6	934		45	
<b>Malaysia</b>						
<b>Dec-18</b>	<b>558</b>	<b>1.9</b>	<b>161</b>		<b>29</b>	
Sep-18	629	2.2	208		33	
Dec-17	585	2.2	220		38	
<b>Thailand</b>						
<b>Dec-18</b>	<b>456</b>	<b>2.7</b>	<b>153</b>		<b>34</b>	
Sep-18	416	2.5	143		34	
Dec-17	439	2.9	157		36	
<b>Indonesia</b>						
<b>Dec-18</b>	<b>545</b>	<b>4.8</b>	<b>221</b>		<b>41</b>	
Sep-18	749	6.7	364		49	
Dec-17	694	6.5	312		45	
<b>Greater China</b>						
<b>Dec-18</b>	<b>120</b>	<b>0.3</b>	<b>53</b>		<b>44</b>	
Sep-18	138	0.4	83		60	
Dec-17	132	0.4	76		58	
<b>Others</b>						
<b>Dec-18</b>	<b>230</b>	<b>0.9</b>	<b>102</b>		<b>44</b>	
Sep-18	290	1.1	155		53	
Dec-17	303	1.3	156		52	
<b>Group NPL</b>						
<b>Dec-18</b>	<b>3,994</b>	<b>1.5</b>	<b>1,508</b>		<b>38</b>	
Sep-18	4,185	1.6	1,781		43	
Dec-17	4,211	1.8	1,855		44	
<b>Group NPA</b>						
<b>Dec-18</b>	<b>4,166</b>		<b>1,651</b>		<b>40</b>	
Sep-18	4,374		1,944		44	
Dec-17	4,389		2,014		46	
	<b>Total allowances</b>					
	<b>as a % of NPA</b>		<b>as a % of unsecured NPA</b>			
<b>Group</b>	<b>%</b>		<b>%</b>			
<b>Dec-18</b>	<b>87</b>		<b>202</b>			
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:

<sup>1</sup> 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
<b>By product</b>			
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
<b>Total</b>	<b>293,186</b>	<b>293,634</b>	<b>272,765</b>
<b>By maturity</b>			
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
<b>Total</b>	<b>293,186</b>	<b>293,634</b>	<b>272,765</b>
<b>By currency</b>			
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
<b>Total</b>	<b>293,186</b>	<b>293,634</b>	<b>272,765</b>
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
<b>Unsecured</b>			
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
<b>Secured</b>			
Covered bonds	4,401	4,446	2,247
<b>Total</b>	<b>30,606</b>	<b>23,906</b>	<b>25,178</b>
Due within 1 year	15,680	8,809	14,807
Due after 1 year	14,926	15,098	10,371
<b>Total</b>	<b>30,606</b>	<b>23,906</b>	<b>25,178</b>

### Shareholders' Equity

	<u>Dec-18</u>	<u>Sep-18</u>	<u>Dec-17</u>
	\$m	\$m	\$m
Shareholders' equity	<b>37,623</b>	36,768	36,850
Add: Revaluation surplus	<b>4,802</b>	4,770	4,679
Shareholders' equity including revaluation surplus	<b>42,425</b>	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
<b>Ordinary shares</b>				
Balance at beginning of period	<b>1,671,534</b>	1,646,966	<b>1,680,541</b>	1,671,534
Shares issued under scrip dividend scheme	<b>9,007</b>	24,568	-	-
Balance at end of period	<b>1,680,541</b>	1,671,534	<b>1,680,541</b>	1,671,534
<b>Treasury shares</b>				
Balance at beginning of period	<b>(8,879)</b>	(11,274)	<b>(13,086)</b>	(9,299)
Shares re-purchased - held in treasury	<b>(7,902)</b>	-	<b>(1,841)</b>	-
Shares issued under share-based compensation plans	<b>1,947</b>	2,395	<b>93</b>	420
Balance at end of period	<b>(14,834)</b>	(8,879)	<b>(14,834)</b>	(8,879)
Ordinary shares net of treasury shares	<b>1,665,707</b>	1,662,655	<b>1,665,707</b>	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**<sup>1,2</sup> (cont'd)

Selected income statement items	GR \$m	GWB \$m	GM \$m	Others \$m	Total \$m
<b>2018</b>					
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)
<b>Profit for the financial period</b>					<b>4,021</b>
<b>Other information:</b>					
Capital expenditure	68	38	22	388	516
Depreciation of assets	24	11	7	231	273
<b>2017</b>					
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)
<b>Profit for the financial period</b>					<b>3,407</b>
<b>Other information:</b>					
Capital expenditure	43	25	9	272	349
Depreciation of assets	22	11	7	218	258

**Notes:**

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

**Performance by Business Segment**<sup>1,2</sup> (cont'd)

Selected income statement items	GR \$m	GWB \$m	GM \$m	Others \$m	Total \$m
<b>4Q18</b>					
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)
<b>Profit for the financial period</b>					<b>919</b>
<b>Other information:</b>					
Capital expenditure	21	12	6	120	159
Depreciation of assets	7	3	2	61	73
<b>3Q18</b>					
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)
<b>Profit for the financial period</b>					<b>1,040</b>
<b>Other information:</b>					
Capital expenditure	20	11	5	88	124
Depreciation of assets	6	3	2	57	68
<b>4Q17</b>					
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)
<b>Profit for the financial period</b>					<b>861</b>
<b>Other information:</b>					
Capital expenditure	10	7	3	77	97
Depreciation of assets	6	3	2	59	70

**Notes:**

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

**Performance by Business Segment**<sup>1,2</sup> (cont'd)

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

**Notes:**

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

## Performance by Geographical Segment <sup>1</sup>

	2018	2017	4Q18	4Q17	3Q18
	\$m	\$m	\$m	\$m	\$m
<b>Total operating income</b>					
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
<b>Total</b>	<b>9,116</b>	<b>8,563</b>	<b>2,216</b>	<b>2,231</b>	<b>2,327</b>
<b>Profit before tax</b>					
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
<b>Total</b>	<b>4,826</b>	<b>4,207</b>	<b>1,104</b>	<b>1,087</b>	<b>1,246</b>

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
<b>Total assets</b>			
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
	<b>383,954</b>	<b>378,502</b>	<b>354,450</b>
Intangible assets	4,138	4,136	4,142
<b>Total</b>	<b>388,092</b>	<b>382,638</b>	<b>358,592</b>

Note:

<sup>1</sup> 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 <sup>1,2,3</sup>

	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)
<b>Common Equity Tier 1 Capital ("CET1")</b>	<b>30,750</b>	<b>29,902</b>	<b>30,134</b>
Perpetual capital securities/others	2,129	2,129	2,976
Regulatory adjustments	-	-	(890)
<b>Additional Tier 1 Capital ("AT1")</b>	<b>2,129</b>	<b>2,129</b>	<b>2,086</b>
<b>Tier 1 Capital</b>	<b>32,879</b>	<b>32,030</b>	<b>32,220</b>
Subordinated notes	4,186	4,144	4,150
Provisions/others	477	721	983
Regulatory adjustments	-	-	(5)
<b>Tier 2 Capital</b>	<b>4,663</b>	<b>4,865</b>	<b>5,128</b>
<b>Eligible Total Capital</b>	<b>37,542</b>	<b>36,895</b>	<b>37,348</b>
<b>Risk-Weighted Assets ("RWA")</b>	<b>220,568</b>	<b>212,502</b>	<b>199,481</b>
<b>Capital Adequacy Ratios ("CAR")</b>			
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%
<b>Leverage Exposure</b>	<b>434,732</b>	<b>430,329</b>	<b>400,803</b>
<b>Leverage Ratio</b>	<b>7.6%</b>	<b>7.4%</b>	<b>8.0%</b>

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](http://www.UOBgroup.com/investor-relations/financial/index.html).



**Consolidated Income Statement (Audited)**

	2018	2017	+ / (-)	4Q18 <sup>2</sup>	4Q17 <sup>2</sup>	+ / (-)	3Q18 <sup>2</sup>	+ / (-)
	\$m	\$m	%	\$m	\$m	%	\$m	%
Interest income <sup>1</sup>	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
<b>Net interest income</b>	<b>6,220</b>	<b>5,528</b>	<b>13</b>	<b>1,608</b>	<b>1,461</b>	<b>10</b>	<b>1,599</b>	<b>1</b>
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
<b>Non-interest income</b>	<b>2,896</b>	<b>3,035</b>	<b>(5)</b>	<b>607</b>	<b>771</b>	<b>(21)</b>	<b>728</b>	<b>(17)</b>
<b>Total operating income</b>	<b>9,116</b>	<b>8,563</b>	<b>6</b>	<b>2,216</b>	<b>2,231</b>	<b>(1)</b>	<b>2,327</b>	<b>(5)</b>
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
<b>Total operating expenses</b>	<b>4,003</b>	<b>3,739</b>	<b>7</b>	<b>984</b>	<b>1,027</b>	<b>(4)</b>	<b>1,011</b>	<b>(3)</b>
<b>Operating profit before allowance</b>	<b>5,113</b>	<b>4,824</b>	<b>6</b>	<b>1,232</b>	<b>1,205</b>	<b>2</b>	<b>1,317</b>	<b>(6)</b>
Less: Allowances for credit and other losses	393	727	(46)	128	140	(9)	95	34
<b>Operating profit after allowance</b>	<b>4,720</b>	<b>4,097</b>	<b>15</b>	<b>1,104</b>	<b>1,064</b>	<b>4</b>	<b>1,222</b>	<b>(10)</b>
Share of profit of associates and joint ventures	106	110	(4)	0	22	(99)	25	(99)
<b>Profit before tax</b>	<b>4,826</b>	<b>4,207</b>	<b>15</b>	<b>1,104</b>	<b>1,087</b>	<b>2</b>	<b>1,246</b>	<b>(11)</b>
Less: Tax	805	800	1	185	226	(18)	206	(10)
<b>Profit for the financial period</b>	<b>4,021</b>	<b>3,407</b>	<b>18</b>	<b>919</b>	<b>861</b>	<b>7</b>	<b>1,040</b>	<b>(12)</b>
Attributable to:								
<b>Equity holders of the Bank</b>	<b>4,008</b>	<b>3,390</b>	<b>18</b>	<b>916</b>	<b>855</b>	<b>7</b>	<b>1,037</b>	<b>(12)</b>
Non-controlling interests	13	16	(21)	3	6	(42)	3	18
	<b>4,021</b>	<b>3,407</b>	<b>18</b>	<b>919</b>	<b>861</b>	<b>7</b>	<b>1,040</b>	<b>(12)</b>

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.

**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 <sup>1</sup>	4Q17 <sup>1</sup>	+ / (-)	3Q18 <sup>1</sup>	+ / (-)
	\$m	\$m	%	\$m	\$m	%	\$m	%
<b>Profit for the financial period</b>	<b>4,021</b>	3,407	18	<b>919</b>	861	7	1,040	(12)
<b>Other comprehensive income that will not be reclassified to income statement</b>								
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
	<b>(278)</b>	(7)	(>100)	<b>(95)</b>	<b>(7)</b>	(>100)	(81)	(18)
<b>Other comprehensive income that may be subsequently reclassified to income statement</b>								
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	-	-
	<b>(214)</b>	444	(>100)	<b>52</b>	(3)	>100	(91)	>100
Change in shares of other comprehensive income of associates and joint ventures	(8)	(3)	(>100)	3	(3)	>100	(3)	>100
<b>Other comprehensive income for the financial period, net of tax</b>	<b>(500)</b>	434	(>100)	<b>(40)</b>	(13)	(>100)	(174)	77
<b>Total comprehensive income for the financial period, net of tax</b>	<b>3,521</b>	3,840	(8)	<b>880</b>	848	4	866	2
Attributable to:								
<b>Equity holders of the Bank</b>	<b>3,511</b>	3,817	(8)	<b>879</b>	843	4	863	2
Non-controlling interests	10	23	(57)	1	5	(82)	3	(69)
	<b>3,521</b>	3,840	(8)	<b>880</b>	848	4	866	2

Note:

<sup>1</sup> Unaudited.

**Consolidated Balance Sheet (Audited)**

	Dec-18	Sep-18 <sup>1</sup>	Dec-17
	\$m	\$m	\$m
<b>Equity</b>			
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
<b>Total</b>	<b>37,813</b>	<b>36,959</b>	<b>37,037</b>
<b>Liabilities</b>			
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
<b>Total</b>	<b>350,280</b>	<b>345,680</b>	<b>321,556</b>
<b>Total equity and liabilities</b>	<b>388,092</b>	<b>382,638</b>	<b>358,592</b>
<b>Assets</b>			
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
<b>Total</b>	<b>388,092</b>	<b>382,638</b>	<b>358,592</b>
<b>Off-balance sheet items</b>			
Contingent liabilities	31,003	31,524	26,415
Financial derivatives	922,170	987,792	961,880
Commitments	151,494	146,065	136,664
<b>Net asset value per ordinary share (\$)</b>	<b>21.31</b>	<b>20.78</b>	<b>20.37</b>

Note:

1 Unaudited.

**Consolidated Statement of Changes in Equity (Audited)**

	<u>Attributable to equity holders of the Bank</u>					<b>Total equity</b>
	<b>Share capital and other capital</b>	<b>Retained earnings</b>	<b>Other reserves</b>	<b>Total</b>	<b>Non-controlling interests</b>	
	\$m	\$m	\$m	\$m	\$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)**

	<b>Attributable to equity holders of the Bank</b>					<b>Total equity</b>
	<b>Share capital and other capital</b>	<b>Retained earnings</b>	<b>Other reserves</b>	<b>Total</b>	<b>Non-controlling interests</b>	
	\$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	<b>7,014</b>	<b>21,716</b>	<b>8,893</b>	<b>37,623</b>	<b>190</b>	<b>37,813</b>
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	<b>7,766</b>	<b>19,707</b>	<b>9,377</b>	<b>36,850</b>	<b>187</b>	<b>37,037</b>

**Consolidated Cash Flow Statement (Audited)**

	2018	2017	4Q18 <sup>1</sup>	4Q17 <sup>1</sup>
	\$m	\$m	\$m	\$m
<b>Cash flows from operating activities</b>				
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)
<b>Cash flows from investing activities</b>				
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)
<b>Cash flows from financing activities</b>				
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)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(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	-
<b>Cash and cash equivalents at end of the financial period</b>	19,617	20,975	19,617	20,975

Note:

1 Unaudited.

**Balance Sheet of the Bank (Audited)**

	Dec-18	Sep-18 <sup>1</sup>	Dec-17
	\$m	\$m	\$m
<b>Equity</b>			
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
<b>Total</b>	<b>32,729</b>	<b>32,144</b>	<b>32,512</b>
<b>Liabilities</b>			
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
<b>Total</b>	<b>290,389</b>	<b>284,937</b>	<b>264,404</b>
<b>Total equity and liabilities</b>	<b>323,118</b>	<b>317,082</b>	<b>296,916</b>
<b>Assets</b>			
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
<b>Total</b>	<b>323,118</b>	<b>317,082</b>	<b>296,916</b>
<b>Off-balance sheet items</b>			
Contingent liabilities	19,377	20,775	17,500
Financial derivatives	754,822	799,820	788,002
Commitments	123,815	120,124	114,167
<b>Net asset value per ordinary share (\$)</b>	<b>18.37</b>	<b>18.00</b>	<b>17.77</b>

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	<b>7,014</b>	<b>16,118</b>	<b>9,598</b>	<b>32,729</b>
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	<b>7,766</b>	<b>14,701</b>	<b>10,045</b>	<b>32,512</b>



**Statement of Changes in Equity of the Bank (Unaudited)**

	Share capital and other capital	Retained earnings	Other reserves	Total equity
	\$m	\$m	\$m	\$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	<b>7,014</b>	<b>16,118</b>	<b>9,598</b>	<b>32,729</b>
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	<b>7,766</b>	<b>14,701</b>	<b>10,045</b>	<b>32,512</b>

### 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**

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**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.

<i>Areas of focus</i>	<i>How our audit addressed the risk factors</i>
<p><b>Adoption of Singapore Financial Reporting Standard (International) 9 Financial Instruments (SFRS(I) 9)</b></p> <p><i>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.</i></p> <p>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).</p> <p>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.</p> <p>Separately, SFRS(I) 9 introduced new requirements for classification and measurement (C&amp;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.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• key assumptions, such as the forward-looking information applied in the ECL models; and</li> <li>• management overlays.</li> </ul> <p>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.</p> <p>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.</p> <p>For a sample of exposures,</p> <ul style="list-style-type: none"> <li>• we checked the loans are transferred from Stage 1 to 2 should the criteria for SICR be met;</li> <li>• we tested the reasonableness of the PD, LGD and EAD used in the computations to derive the ECL amount for the exposure; and</li> <li>• 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.</li> </ul> <p>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.</p> <p>In assessing the Group's C&amp;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:</p> <ul style="list-style-type: none"> <li>• the basis used in the business model assessment of selected portfolios; and</li> <li>• the cash flow characteristics of a selected sample of financial assets to ensure the appropriate classifications were assigned.</li> </ul> <p>Additionally, we tested the underlying disclosures relating to the transition impact and traced the disclosed impact to underlying accounting records.</p> <p>The results of our assessment of the Group's ECL are within our expectations. In addition, the Group's decisions on the C&amp;M of the financial instruments and the transition adjustments are in line with our evaluation.</p>

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

<i>Areas of focus</i>	<i>How our audit addressed the risk factors</i>
<p><b><i>Valuation of illiquid or complex financial instruments</i></b></p> <p><i>Refer to Notes 2s(iii) and 18b to the consolidated financial statements on pages 28 and 47 to 48 respectively.</i></p> <p>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.</p> <p>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.</p> <p>The determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• the validation of new and existing valuation models;</li> <li>• the independent price verifications;</li> <li>• the assessment of the observability of pricing inputs; and</li> <li>• the completeness and accuracy of pricing inputs.</li> </ul> <p>The results of our test of controls allowed us to rely on these controls for our audit.</p> <p>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.</p> <p>Overall, the results of our assessment of the Group's valuation of illiquid or complex financial instruments were within the range of expected outcomes.</p>

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

<i>Areas of focus</i>	<i>How our audit addressed the risk factors</i>
<p><b><i>Impairment of goodwill</i></b></p> <p><i>Refer to Notes 2s(iv) and 36b to the consolidated financial statements on pages 28 and 75 respectively.</i></p> <p>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.</p> <p>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.</p>	<p>Our audit procedures focused on the following key assumptions used in the goodwill impairment tests:</p> <ul style="list-style-type: none"> <li>• cash flow projections;</li> <li>• growth rates; and</li> <li>• discount rates.</li> </ul> <p>We assessed the cash flow projections by reviewing historical achievement of the projections and considered the reasons for significant deviations.</p> <p>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.</p> <p>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.</p> <p>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.</p>

### **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