



“/”
Joanne Pang

About This Report

United Overseas Bank Limited (UOB) has been committed to creating long-term value for our customers, our colleagues and the community since 1935. In building a sustainable business over time and across borders, we engage our stakeholders constructively and regularly. This enables us to align our strategies with what is important to them and for them to have a deeper appreciation of how we contribute to the development of enterprise and innovation, and economic growth across the region.

Through the reporting of our financial and non-financial performance in the UOB Annual Report 2018, we explain our business approach, objectives and achievements in the context of the year's operating environment. Our report adopts the tenets of the International Integrated Reporting Council's Integrated Reporting principles, sharing how the Bank creates value for our stakeholders over the short-, medium- and long-term to enable them to make informed decisions.

This report complies with the Singapore Exchange-Securities Trading Limited Mainboard Listing Rules 707 to 711 and 1207 on Annual Reports, 711A and 711B on Sustainability Reporting, as well as Practice Note 7.6 Sustainability Reporting Guide issued in June 2016. It is also in accordance with the Global Reporting Initiative's (GRI) Standards: Core Option and selected indicators from GRI G4 Financial Services Sector Disclosures document.

This report covers the period from 1 January to 31 December 2018 and is published on 3 April 2019. It is available online at www.UOBgroup.com/AR2018. Hard copies, which are available only on request, are printed on sustainably-sourced Forest Stewardship Council-certified paper.



Please scan the QR code to view the
UOB Annual Report 2018.

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All figures in this Annual Report are in Singapore Dollar unless otherwise specified.



“／”

by Joanne Pang
Mixed media on cotton
140 x 150 cm

Ms Pang's painting, “／”, is the design inspiration for this year's Annual Report. The artist is a lecturer at LASALLE College of the Arts in Singapore and her painting received the Gold award in the Established Artist Category in the 2018 UOB Painting of the Year (Singapore) competition.

The painting title is also meant to be read as “either... or” and represents a strike in motion. It reflects the artist's movements between action and inaction during the painting process as well as captures the concept of time passing and stopping. Through technique and medium, her painting strokes express the impact of force, dynamism and transformation.

The essence of the painting captures UOB's approach to banking where due consideration is given before timely decisions are made for optimal impact.

UOB's support of art is a natural extension of our commitment to our stakeholders in the communities in which we operate. The UOB Painting of the Year competition, in its 37th year in 2018, is the Bank's flagship art programme held across four Southeast Asian countries.

About United Overseas Bank Limited

Who We Are

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 branches and offices in 19 countries and territories in Asia Pacific, Europe and North America. In Asia, we operate through our head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and offices across the region.

In 1935, amid the economic uncertainties following the Great Depression, UOB opened its doors to provide banking services for the merchant community in Singapore.

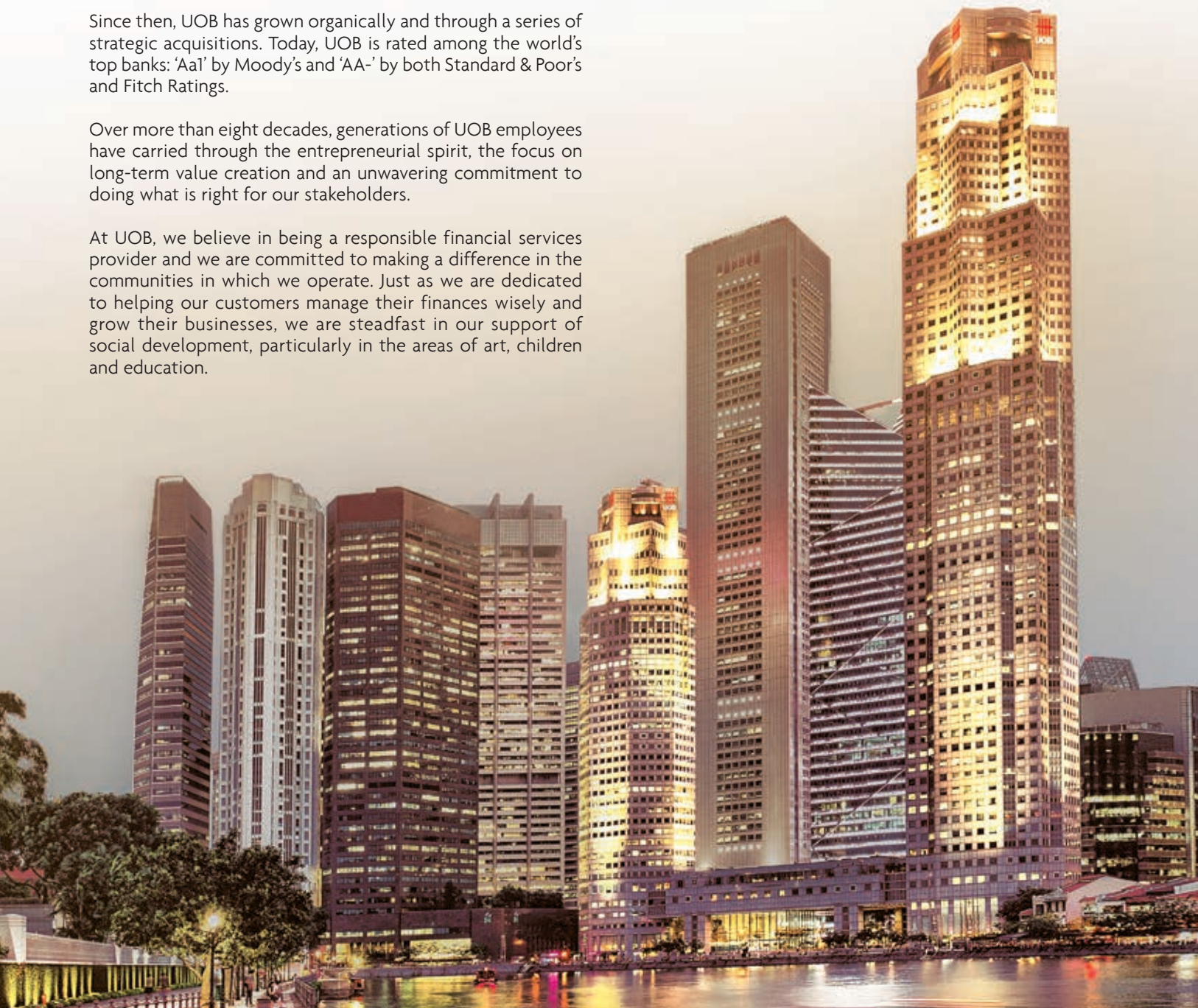
Since then, UOB has grown organically and through a series of strategic acquisitions. Today, UOB is rated among the world's top banks: 'Aa1' by Moody's and 'AA-' by both Standard & Poor's and Fitch Ratings.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to doing what is right for our stakeholders.

At UOB, we believe in being a responsible financial services provider and we are committed to making a difference in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and grow their businesses, we are steadfast in our support of social development, particularly in the areas of art, children and education.

What We Do

UOB provides a wide range of financial services globally through our three core business segments – Group Retail, Group Wholesale Banking and Global Markets. Our offering includes personal financial services, private banking, business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, brokerage and clearing services. Through our subsidiaries, we also provide asset management, venture capital management and insurance services.



Where We Operate

>500 branches and offices
in Asia Pacific, Europe and North America



Creating Sustainable Value Across Our Franchise

Guided by our values, we help our customers grow their wealth, manage their businesses and seize opportunities across the region and through economic cycles. Deep relationships and the progress of the economies and communities in which we operate are important to us. We are committed to achieving long-term and stable growth that creates sustainable value for our stakeholders and across our franchise.

Our Values

Honourable



We act prudently to fuel our customers' success and maintain the highest standards in all we do.

Enterprising



We possess a forward-looking mindset and provide deep insight, taking the initiative to find the right solution.

Our Fundamental Strengths

135% Total Liquidity Coverage Ratio (full-year average)

Robust Risk Management and Corporate Governance; Strong Credit Ratings, Capital and Funding Base

>500 branches and offices across our network

Established and Integrated Network

Our Sustainability Pillars



Sustain Growth Responsibly



Keep Customers at the Centre

United



We reach our corporate and individual goals through cooperation, mutual respect and loyalty.

Committed



We hold ourselves accountable for ensuring that UOB remains a source of stability, security and strength.

\$26 million invested in training programmes

Deep Pool of Talent and Expertise

95% of colleagues in our key markets are local

Asian Heritage and Southeast Asian Roots



Develop Professionals of Principle



Strengthen Community Bonds

Our Customer-focused Business

Group Retail

Our strong customer relationships are founded on our intimate understanding of who our customers are, what they hold precious and what influences their lives.

We focus on their financial present and future. To help them reach their goals, we offer a broad range of products and services that help them plan, save, spend and invest wisely, in keeping with their lifestyles and preferences.

Group Wholesale Banking and Global Markets

Our deep client relationships are based on the premise that we care for our clients' businesses as if they were our own.

We offer them the Group's comprehensive and customised banking and financial risk management services. Through our seamless, cross-border banking solutions and on-the-ground coverage, we support our clients as they manage and expand their businesses across Asia.

Strategic Priorities

Capitalising on Regional Growth Drivers

Fulfilling consumers' financial goals with the right solutions in their preferred manner

- Designing and offering fair, inclusive and accessible financial solutions relevant to our customers' life stages, lifestyles and aspirations;
- Safeguarding our customers' assets and helping them preserve and grow their wealth for future generations;
- Enhancing our customers' omni-channel experience based on our understanding of their preferences and behaviours; and
- Forging ecosystem partnerships to create products, services and solutions that augment customer journeys.

Facilitating businesses' growth through cross-border connectivity and specialised sector expertise

- Leveraging our extensive regional franchise, in-depth local knowledge and strong sector expertise to help our clients seize business and investment opportunities across borders;
- Providing our clients with holistic, integrated and distinctive solutions through a diversified range of products and channels;
- Enhancing our ecosystem of partners to support our clients as they grow and expand through all market cycles; and
- Partnering financial institutions as they grow in Asia.

Strengthening Enablers to Support Business Growth

Caring for our colleagues' professional and personal growth

- Maintaining a values-driven and performance-oriented culture to stay competitive;
- Equipping our colleagues with the right skillsets and mindsets to prepare them for the future;
- Attracting and retaining professionals of principle with the passion and commitment to do what is right always; and
- Promoting community awareness and involvement through employee volunteerism.

Deepening our technological capabilities to make banking simpler, smarter and safer

- Partnering innovators and industry leaders to create customer-centric solutions across different touchpoints and geographies;
- Harnessing artificial intelligence and data to deepen customer insights and to improve our performance;
- Streamlining our processes to increase our productivity and to enhance our customers' experience; and
- Maintaining the robustness of our systems, processes and controls to combat cybersecurity threats and to maintain a secure banking environment.

Balancing Growth with Stability

Maintaining proactive management of capital, credit and risk

- Embedding our risk culture through robust policies, processes and practices;
- Sustaining strong capital adequacy levels to facilitate business growth in a prudent and disciplined manner;
- Diversifying our sources of funding and our investor base;
- Advocating and implementing sustainable and responsible practices to support long-term economic and social development; and
- Maintaining the highest professional and ethical standards to safeguard the interests of our stakeholders through strong governance.

Chairman's Statement

Assuring Continued Progress Through Discipline

Since my appointment as Chairman, I have become accustomed to the quality of the people at UOB. They are professionals who lead and are guided by our values. Their deep understanding of each local environment is proven in the timeliness and thoughtfulness of our products and services. Following Management's disciplined and customer-focused approach, our people grow our business for the long term, whatever the environment.

2018 saw geopolitical uncertainty, trade tensions and market volatility which bore down on economies, industries and businesses. Against this backdrop, UOB achieved healthy growth across our core franchise, with our net profit rising to another record of \$4 billion. This was an 18 per cent increase over the year before. In view of this performance, the Board is pleased to announce a final dividend of 50 cents and a special dividend of 20 cents per ordinary share.

Guiding the Way Forward

We do not take success for granted and seek to improve what we do and how we do it. The Board too has to see to the Group's continued fit and relevance for the future. To this end, the Executive Committee took on the Strategy Committee's role with an enlarged scope that includes the development and execution of policies for our strategic priorities.

A main priority is our people. I have long held the view that people – the core of any organisation – determine its success and longevity. At UOB, we call our core *our greatest asset*. Hence, the Remuneration Committee was renamed the Remuneration and Human Capital Committee. It now guides the recruitment, development and retention of our people. We also have to safeguard a deep pool of our own talent and to build bench strength across the Group for senior management roles. Other enhancements saw the Board Credit Committee being subsumed under the Board Risk Management Committee which oversees all material risks of the Bank.

The Board and Management set aside time during the year for robust discussions on strategic matters. This would ensure alignment as we make our way forward. We held our annual country offsite in Shanghai. There, the Board gained a deeper understanding of the operating environment in China and its potential. It also reaffirmed our regional strategy. In Singapore, we brought together senior executives and country managers from across our network to review holistically our various lines of business. It reinforced collaboration between Board and Management as we were single-minded in keeping our franchise on the sustainable path of growth.

Advancing Our Next Phase of Growth

Our growth has been underpinned by our technology infrastructure that enables us to tap the region's business flows and rising affluence. It gives us speed to market, flexibility for localisation and facilitates a seamless, secure customer experience. That omni-channel experience – from the physical to digital – is designed to suit the diverse needs and wants of all our customers.

Our past investments enable us to create solutions for the future which help businesses grow and people prosper. In thinking ahead for tomorrow's ASEAN consumers, we changed the business model of digital banks and created TMRW. This is the first mobile-only digital bank designed for ASEAN millennials.

We forge ecosystems of partners with expertise and capabilities to meet our customers' lifestyle needs, from property to cars to everyday payment. We also persist in developing our own people's capabilities. As an example, we hone the skills of our industry specialists for sectors which help drive regional economies. Across the board, our people must be equipped to perform with the ability, pace and agility that the future will demand.

Being Steadfast Amid Volatility

The year ahead is expected to present heightened uncertainties and muted growth. These will have some bearing on us and our customers. However, we are confident of the region's potential. As we size up and seize the opportunities, we will do so with the right balance of risk and responsibility. This will keep us in good stead as we pursue sustainable profit in a manner that will stand up to scrutiny and the test of time.

Acknowledging Contributions

On behalf of the Board, I thank Director Franklin Lavin for his significant contributions to the Board over the last nine years. The Board has greatly benefitted from his insight, experience and knowledge. We wish him the very best as he retires from the Board. We also thank Management and our people for their achievements, commitment and determination throughout the year. To our shareholders and our customers, we are very grateful for your continued support for UOB.

Wong Kan Seng

Chairman

February 2019



Deputy Chairman and CEO's Report

The painting on the cover of this year's Annual Report is a reminder to us all that we must consider carefully the environment in which we operate and the forces at play before striking (✓) at the right moment. It resonates with UOB's stance of staying disciplined, focused and nimble, as we seek and implement innovative solutions amid an increasingly digital and disrupted world. We consider the risks and rewards of any given opportunity. We also balance innovation and growth with stability in building our franchise sustainably.

Our discipline is derived from our time-tested values of Honour, Enterprise, Unity and Commitment. They are the foundation on which we have built UOB over eight decades and have been guiding the decisions we make and the actions we take. They underpin our unwavering focus on the fundamentals of our business: always putting our customers at the centre, building on our regional infrastructure, harnessing technology and digital solutions to make banking simpler, smarter and safer and making strategic investments for the future. Core to our approach is maintaining a strong balance sheet so that we can support our customers through economic cycles.



2018 Financial Performance

Even as global uncertainties heightened in 2018, we were steadfast in serving the needs of our customers and in growing our regional franchise. Our performance during the year reflected this discipline.

UOB achieved another new high in net profit, up 18 per cent to more than \$4 billion. Our net interest income grew 13 per cent year on year, driven by broad-based loan growth and higher net interest margin. Net interest margin increased five basis points to 1.82 per cent, in line with the rising interest rate environment.

Net fee and commission income increased five per cent 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 per cent to \$930 million mainly due to unrealised mark-to-market on investment securities and lower gains from the sale of investment securities.

Our core businesses continued to deliver strong income growth. Total income for Group Retail rose four per cent to \$3.95 billion, supported by healthy volume growth and improved deposit margin. Group Wholesale Banking reported an income growth of 11 per cent 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 six per cent to \$465 million, driven by favourable movements in foreign exchange and rates.

The Group continued to invest in our talent and technology to improve our productivity, our products and services and our customer experience and to reap the productivity benefits of digitalisation. As a result, total expenses increased seven per cent to \$4 billion. The cost-to-income ratio for the year rose marginally to 43.9 per cent.

Our balance sheet remained strong and keeping it efficient remains a priority. The return on risk-weighted assets increased to 1.93 per cent compared with 1.63 per cent a year ago, driven by our record earnings.

Our asset quality was stable. Total credit costs on loans eased to 16 basis points, reflecting the fairly benign credit environment for the most of 2018, as well as low residual risks from the oil and gas and shipping sectors. Non-performing loan ratio improved further to 1.5 per cent from 1.8 per cent a year ago. Non-performing assets reserve coverage remained adequate at 87 per cent, or 202 per cent after taking collateral into account.

The Group's funding position remained strong, with our loan-to-deposit ratio at a healthy 88 per cent as at end 2018. Our Singapore dollar and all-currency liquidity coverage ratios of 209 per cent and 135 per cent respectively as well as net stable funding ratio of 107 per cent were well above regulatory requirements. Against last year, gross loans grew 11 per cent to \$262 billion while deposits grew seven per cent to \$293 billion. We continued to manage actively and to optimise our asset-liability mix.

In 2018, we established our inaugural Global Medium Term Note Programme which enabled us to tap the US onshore market under Rule 144A of the US Securities Act for the first time. For more details on issuances in 2018, please refer to the Investors section of the Report.

Capital-wise, as at 31 December 2018, our Common Equity Tier 1 CAR remained strong at 13.9 per cent. Our leverage ratio of 7.6 per cent was more than double the regulatory minimum requirement. The Group remains well capitalised to navigate the macro uncertainties ahead.

In 2018, we maintained our position as one of the world's strongest banks, with a rating of 'Aa1' by Moody's and 'AA-' from both Standard & Poor's and Fitch Ratings.

Strengthening Our Regional Franchise

Despite macro headwinds in the near term, the potential for Asia, including structural growth trends in ASEAN, remain intact.

ASEAN is poised to be the fourth largest economic bloc by 2030 after the US, China and EU. Foreign direct investment (FDI) to the region has grown by more than 60 per cent over the last decade to \$134 billion in 2017 and is projected to more than double by 2030. Our region has the third largest population globally after China and India and one of the world's fastest and youngest growing base of affluent consumers, with 60 per cent of the population under 35 years old.

In anticipating our customers' needs and aspirations, we decided to invest in our regional infrastructure and connectivity capabilities a decade ago. Our strategic investments in establishing an integrated network across our ASEAN footprint now give us a competitive edge and it serves as a robust foundation for sustainable growth. We can tap the region's growth drivers, manage risks, and deliver a seamless and omni-channel customer experience at scale and with speed to market.

In 2018, we expanded our footprint by establishing our Vietnam subsidiary – the first Singapore bank to do so. We were also the first foreign bank in China to have a Grade-A office building – our new headquarters – in Shanghai's Lujiazui Financial District. For more than three decades, we have been patiently and prudently deepening our presence in both these markets as our customers sought new sources of growth, more efficient production bases and additional revenue streams. We also laid the foundations for a new head office building in Thailand, thereby cementing our presence in one of the fastest growing economies in Southeast Asia.

Connecting Businesses to Regional Opportunities

Beyond deepening our physical presence, we enhanced our own capabilities to help our clients capitalise on regional growth opportunities.

We have been at the forefront of offering customised cross-border banking services to businesses through our regional network and the expertise of our FDI Advisory Unit. Since its set-up in 2011 to help our clients navigate the complexities of expanding into and across Asia, the FDI Advisory Unit has provided one-stop advisory and financial solutions to more than 2,100 clients.

With nine offices across the region, in 2018, the FDI Advisory Unit broadened its network of government agency partners, business associations and professional service providers. We signed Memoranda of Understanding (MOU) with Santander UK, Shanghai Pudong Bank, BKPM (Indonesia Investment Coordinating Board), the Suzhou Industrial Park Administrative Committee and the Vietnam Singapore Industrial Park. These MOUs are in addition to six other high-level agreements UOB has in place with government investment bodies across the region.

We see increased opportunities for businesses to move their supply chains to ASEAN especially with rising global trade tensions. Our comprehensive Southeast Asian network and established FDI advisory capabilities, position us well to facilitate such connectivity opportunities. In recognition of our efforts in increasing connectivity across the region, UOB was awarded Best Regional Bank of the Year for the Belt and Road Initiative in Southeast Asia at *Asiamoney's* New Silk Road Finance Awards.

To entrench our deep relationships with our clients, we enhanced our capabilities in platforms and products, particularly in cash management and trade. Knowing that certain industry sectors with cross-border connectivity needs are vital for the growth of

... in business, as in life, we are not always presented with binary choices to make. Under such circumstances, we need... to strike the right balance between risk and reward, with the long-term view in mind.

economies across the region, we set up a dedicated team of industry specialists to provide customised solutions for clients' end-to-end needs, covering sectors ranging from consumer goods to building and construction.

Since the 1930s we have been helping small enterprises, first in Singapore and then the region, to grow and to prosper. As these small businesses form the backbone of economies, we also help equip them to capture opportunities in the borderless digital economy. In 2018, we extended UOB BizSmart from Singapore to Malaysia and Thailand to help enterprises digitalise. Through UOB BizSmart, they have access to an integrated digital business solution that enables them to increase their efficiency and productivity by automating time-consuming processes such as payroll, invoicing and inventory management. In 2019, we will extend UOB BizSmart to small enterprises in Indonesia.

Supporting Asia's Rising Affluent Consumers

Throughout the year, we continued to make banking simpler, safer and smarter for our retail banking customers by harnessing data insights, advances in technology and ecosystem partnerships. Our omni-channel approach to offering products and services enables our customers to choose how and when they bank with us.

Knowing that our customers have different needs based on their lifestyles and life stages, and mindful that many also prefer to meet in person for certain transactions, we continued to refine the role of our branch network. In 2018 we created three new branch concepts and tested them in Malaysia, Singapore and Thailand.

To ensure our customers have a seamless and convenient experience at our branches or online, we continued to digitalise our processes. In 2018, UOB was the first bank in Singapore to digitalise all its saving, card, home loan and car loan application processes, reducing the turnaround time for customer applications from up to five days to just 15 minutes.

We drew on the capabilities of industries outside of banking and formed ecosystems to address holistically the needs of our customers. For instance, our partnerships with Grab, property agencies and car dealers enable us to leverage our collective distribution reach to bring convenience and value to our customers' lifestyles.

We also continue to invest in our wealth management capabilities to serve the increasing number of emerging affluent customers across the region.

In 2018, we announced our plans to launch for the region's digital generation a fully-mobile digital bank – the first in ASEAN. Named TMRW, our digital bank will enable us to scale up our franchise across ASEAN and to serve the needs of the burgeoning number of mobile-first and mobile-only customers in the region, the third largest base of digitally-savvy consumers after China and India.

Deputy Chairman and CEO's Report

As part of building TMRW, we made several strategic investments in financial technology (FinTech) companies. These investments included setting up Avatec.ai, a joint venture with Chinese Fintech, Pintec; taking a stake in Personetics, a company offering world-class artificial intelligence (AI) solutions; and partnering Meniga, a software company that turns transactional data into actionable insights. TMRW combines all with UOB's regional insight and expertise and sets a new standard for connecting with ASEAN millennials, our future generation.

Harnessing Digital Innovation for Our Customers' Benefit

We recognise that with digital innovation comes duty, which is about not putting our customers' or UOB's future at risk. Our technology focus has three objectives: to create customer experiences that are relevant, convenient, reliable and safe; to harness the capabilities of ecosystem partners to co-create new products and services; and to help our customers improve their own businesses and to drive performance by streamlining our own processes.

For instance, we have built an enterprise-wide, big data platform that spans all of our business units. Through this platform we are able to access relevant and quality data to drive improvements in our business through self-service analytics, machine learning and emerging AI solutions. We are also one of the first banks in the world to use machine learning to strengthen our fight against money laundering through our collaboration with local FinTech and The FinLab graduate Tookitaki.

Ensuring Our Colleagues are Future-ready

Our achievements in 2018, as have been over the decades, were led by our colleagues who embrace UOB's values of Honour, Enterprise, Unity and Commitment. We uphold these values in our focus on creating long-term value for our stakeholders.

The efforts of our diverse, united team received due recognition. In 2018, the quality of our team's endeavours led to UOB being recognised as the fastest growing brand in ASEAN in terms of brand value in Brand Finance's Global 500. The diversity of our UOB family, across nationalities, markets, age and gender, was acknowledged when UOB was one of only four Singapore companies included in the global Bloomberg-Gender Equality Index.

To ensure our people possess the right skillsets and mindsets for the future, we provide them with relevant training and career development opportunities. With the increasing pace of technological advancement and its influence on our customers' expectations increasing, we continued to equip our people with digital skills. In 2018, we raised our training budget to \$26 million to ensure UOB colleagues could gain access to industry-leading skills training such as through UOB's Professional Conversion Programme (PCP). Established in 2017, the PCP was designed to prepare our customer-facing colleagues to manage technological advances and also enable them to guide our customers in understanding and using digital services.

Connecting with the Community

Just as we care for our people's development, we care for the progress of the communities in the markets where we operate. We demonstrate this through the UOB Heartbeat Corporate Social Responsibility programme which focuses on three areas essential for the growth and vibrancy of any society: art, children and education.

In 2018, our people volunteered more than 51,000 hours to help deepen community connections and to nurture young minds to their potential, especially those from underprivileged backgrounds. In our firm belief that art transcends language, culture and time, we increased our efforts to make art accessible to all, particularly Southeast

Asian art which we have championed for more than four decades. The UOB Painting of the Year competition, the longest running art competition in the region, as well as the many community events we conduct with our artist alumni and children, help encourage awareness, appreciation and development of art in our communities.

Our community-minded spirit has also been recognised through accolades such as being named by the Singapore National Arts Council as a Distinguished Patron of the Arts for 14 consecutive years and as a Champion of Good by the National Volunteer and Philanthropy Centre.

Looking Ahead

Market volatility is likely to remain elevated in 2019. The impact of ongoing US-China trade tensions and geopolitics, the trickle-down effect of US fiscal and monetary policy settings and concerns over a China slowdown are among the factors posing risks to global economic growth. Despite near-term uncertainties, we see the long-term potential of Asia, particularly ASEAN, through the increased connectivity and intra-regional business flows, favourable demographics and rising affluence which underpin economic growth. We will continue to draw upon our extensive presence, integrated network, deep knowledge and strong position in the region to help our customers benefit from the opportunities that arise. Our future-focused investments in connectivity capabilities and digital solutions also ensure we are well-positioned for growth, including attracting and serving ASEAN's burgeoning digital generation.

The title of this year's Annual Report reminds us that in business, as in life, we are not always presented with binary choices to make. Under such circumstances, we need to be guided by our own moral compass. At UOB, this compass is one based on our values and enables us to strike the right balance between risk and reward, with the long-term view in mind.

This stance is critical to UOB creating sustainable value for our stakeholders. We believe that by putting the customer at the centre of all that we do and by acting consistently in accordance with our values, we will continue to build a sustainable business for generations to come.

Acknowledgements

I would like to thank the UOB Board, my Management team and the wider family of UOB colleagues. I would also like to acknowledge the efforts of Mr Wong Kan Seng in his first year as Chairman of UOB.

2018 also marks the retirement of two members of my Management team. Mr Francis Lee leaves us after 39 years, including most recently as the Head of Group Retail. His contribution to our successful regional expansion was immense, as was his part in growing our consumer business over the decades. We also say farewell to Ms Jenny Wong, Head of Group Human Resources. Jenny's advocacy for and appreciation of our people has been constant, developing programmes that encouraged care, growth and trust across our 26,000-strong team.

To our valued customers and investors, without whom UOB would not be what it is today, I thank you for your continued confidence in and support of UOB.

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

February 2019

Board of Directors

As at 21 February 2019



Wong Kan Seng, 72

*Chairman
Non-Executive and Independent*

Appointed as a director: 27 July 2017
Last re-elected as a director: 20 April 2018
Appointed as Chairman: 15 February 2018

Mr Wong served 26 years in the Singapore Government where he held ministerial appointments in the Communications and Information, Community Development, Foreign Affairs and Home Affairs Ministries, and at the National Population and Talent Division (Prime Minister's Office). He retired from the Cabinet as Deputy Prime Minister and Coordinating Minister for National Security in 2011 but remained as a Member of Parliament till 2015. Since joining the private sector in 2011, Mr Wong has served as chairman and director of several companies in the real estate, township development/urbanisation, fund management and REIT/trust sectors.

Board Committee Positions

- Board Risk Management Committee (Member)
- Executive Committee (Chairman)
- Nominating Committee (Member)
- Remuneration and Human Capital Committee (Member)

Current Directorship in Other Listed Companies

- Nil

Other Principal Commitments

- Ascendas-Singbridge (Chairman)
- Singapore-Sichuan Investment Holdings (Chairman)
- Temasek Foundation-Connects Advisory Council (Chairman)
- Bo'ao Forum for Asia (Director)
- Kwong Wai Shiu Hospital (Patron)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Parliament of Singapore (Member) (till August 2015)
- Singbridge Holdings Pte Ltd (Chairman) (till June 2015)
- Singbridge International Singapore Pte Ltd (Chairman) (till June 2015)

Education and Achievements

- Masters of Science (Business Studies), London Business School, University of London
- Bachelor of Arts (Hons), University of Singapore
- London Business School Alumni Achievement Award (2004)
- National Trades Union Congress Medal of Honour (1998)
- Public Administration Medal (Silver) (1976)

Wee Ee Cheong, 66

*Deputy Chairman and Chief Executive Officer
Executive and Non-Independent*

Appointed as a director: 3 January 1990
Last re-elected as a director: 20 April 2017
Appointed as Chief Executive Officer: 27 April 2007

A career banker with 40 years' experience, Mr Wee is also active in the banking and financial services industry and the community through his involvement in various industry-based organisations. He was previously Deputy Chairman of the Housing & Development Board and a director of the Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

Board Committee Positions

- Board Risk Management Committee (Member)
- Executive Committee (Member)
- Nominating Committee (Member)

Current Directorship in Other Listed Companies

- United Overseas Insurance (Director)

Other Principal Commitments

- United Overseas Bank (Singapore) (Deputy Chairman and Chief Executive Officer)
- United Overseas Bank (China) (Chairman)
- PT Bank UOB Indonesia (Deputy President Commissioner)
- United Overseas Bank (Malaysia) (Deputy Chairman)
- United Overseas Bank (Thai) Public Company (Deputy Chairman)
- The Association of Banks in Singapore (Council Member)
- The Institute of Banking & Finance (Council Member)
- Board of Governors of the Singapore-China Foundation (Member)
- Indonesia-Singapore Business Council (Member)
- Singapore Chinese Chamber of Commerce & Industry (Honorary Council Member)
- Visa APCEMEA Senior Client Council (Member)
- Nanyang Academy of Fine Arts (Patron)
- Wee Foundation (Director)

Past Directorship in Listed Companies and Principal Commitments held over the Preceding Five Years

- Far Eastern Bank (Alternate Director) (till May 2018)

Education and Achievements

- Master of Arts (Applied Economics), American University, Washington, DC
- Bachelor of Science (Business Administration), American University, Washington, DC
- Public Service Star (2013)

Board of Directors

As at 21 February 2019



Franklin Leo Lavin, 61

Non-Executive and Independent

Appointed as a director: 15 July 2010
Last re-elected as a director: 21 April 2016

Mr Lavin held senior finance and management positions at Citibank and Bank of America in his early career. A former diplomat with extensive experience in public administration, Mr Lavin was a US Ambassador to Singapore where he helped to negotiate the landmark US-Singapore Free Trade Agreement.

Board Committee Position

- Executive Committee (Member)

Current Directorship in Other Listed Companies

- Nil

Other Principal Commitment

- Export Now (Founder, Chairman and Chief Executive Officer)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Far Eastern Bank (Director) (till May 2018)
- Consistel (Director) (till March 2017)
- Globe Specialty Metals (Director) (till December 2015)

Education and Achievements

- Master of Business Administration in Finance, Wharton School, University of Pennsylvania
- Master of Arts in International Relations and International Economics, School of Advanced International Studies at Johns Hopkins University
- Master of Science in Chinese Language and History, Georgetown University
- Bachelor of Science, School of Foreign Service, Georgetown University
- Under-Secretary for International Trade at the Department of Commerce, USA (2005 to 2007)
- US Ambassador to Singapore (2001 to 2005)
- Chairman of the Steering Committee of the Shanghai 2010 World Expo USA Pavilion



Willie Cheng Jue Hiang, 65

Non-Executive and Independent

Appointed as a director: 15 July 2010
Last re-elected as a director: 20 April 2017

An accountant by training, Mr Cheng is a well-respected figure in the business community and non-profit sector. Retired after 26 years' service in management consulting with Accenture, he contributes actively to the furtherance of board development and corporate governance in Singapore. He recently retired as the Chairman of the Singapore Institute of Directors Governing Council. He is a fellow of the Institute of Singapore Chartered Accountants and an honorary fellow of the Singapore Computer Society.

Board Committee Positions

- Audit Committee (Chairman)
- Nominating Committee (Member)

Current Directorship in Other Listed Companies

- Nil

Other Principal Commitments

- FEO Hospitality Asset Management (Director)
- FEO Hospitality Trust Management (Director)
- Integrated Health Information Systems (Director)
- NTUC Health Co-operative (Director)
- Asia Philanthropic Ventures (Director)
- Catholic Foundation (Chairman)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Caritas Humanitarian Aid & Relief Initiatives Singapore (Director) (till December 2018)
- SymAsia Foundation (Director) (till December 2018)
- Singapore Institute of Directors (Chairman) (till November 2018)
- Singapore Health Services (Director) (till June 2018)
- Council for Third Age (Director) (till May 2017)

Education and Achievements

- Bachelor of Accountancy (First Class Hons), University of Singapore
- Public Service Medal (2008)



James Koh Cher Siang, 73

Non-Executive and Independent

Appointed as a director: 1 September 2012
Last re-elected as a director: 21 April 2016

A former civil servant with an illustrious 35-year career, Mr Koh held various appointments including Permanent Secretary in the Ministries of National Development, Community Development and Education during his service. He retired as the Comptroller of Income Tax, where he was both Commissioner of Inland Revenue and Commissioner of Charities. He was the Chairman of the Housing & Development Board from 2007 to 2016, and was also a director of Pan Pacific Hotels Group, UOL Group, Singapore Airlines and CapitaLand. At Singapore Airlines and CapitaLand, he was chairman of the risk committees.

Board Committee Positions

- Audit Committee (Member)
- Nominating Committee (Member)
- Remuneration and Human Capital Committee (Chairman)

Current Directorship in Other Listed Companies

- Nil

Other Principal Commitments

- CapitaLand Hope Foundation (Director)
- Thye Hua Kwan Moral Charities (Director)
- Pioneer Generation Package Appeals Committee (Deputy Chairman)
- Ministry of Home Affairs - Independent Review Committee (Member)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Housing & Development Board (Chairman) (till September 2016)
- CapitaLand (Director) (till April 2016)

Education and Achievements

- Master in Public Administration, Harvard University
- Master of Arts, Oxford University
- Bachelor of Arts (Hons) in Philosophy, Political Science and Economics, Oxford University
- Meritorious Service Medal (2002)
- Public Administration Medal (Gold) (1983)

Ong Yew Huat, 63

Non-Executive and Independent

Appointed as a director: 2 January 2013
Last re-elected as a director: 21 April 2016

Mr Ong is a chartered accountant and retired as Executive Chairman of Ernst & Young Singapore after 33 years with the firm. A known supporter of the arts, Mr Ong is currently the Chairman of the Singapore Tyler Print Institute. He previously served on the boards of the Singapore Art Museum, the National Art Gallery and was the Chairman of the National Heritage Board. Mr Ong was also the Chairman of United Overseas Bank (Malaysia).

Board Committee Positions

- Audit Committee (Member)
- Board Risk Management Committee (Chairman)
- Executive Committee (Member)

Current Directorship in Other Listed Companies

- Nil

Other Principal Commitments

- Singapore Power (Director)
- Ascendas-Singbridge (Director)
- Singapore Tyler Print Institute (Chairman)
- Tax Academy of Singapore (Chairman)
- Singapore Mediation Centre (Director)

Past Directorships in Other Listed Companies and Principal Commitments held over the Preceding Five Years

- United Overseas Bank (Malaysia) (Chairman) (till December 2018)
- National Heritage Board (Chairman) (till August 2018)

Education and Achievements

- Bachelor of Accounting (Hons), University of Kent at Canterbury
- Institute of Chartered Accountants in England and Wales (Member)
- Institute of Singapore Chartered Accountants (Member)
- Public Service Star (2017)

Board of Directors

As at 21 February 2019



Lim Hwee Hua, 60

Non-Executive and Independent

Appointed as a director: 1 July 2014

Last re-elected as a director: 20 April 2018

Mrs Lim enjoyed a varied career in financial services prior to her service in Parliament between 1996 and 2011. Her last appointments while in public service were Minister in the Prime Minister's Office and, concurrently, Second Minister for Finance and Transport. She rejoined the financial sector after leaving Parliament.

Board Committee Positions

- Executive Committee (Member)
- Nominating Committee (Chairman)
- Remuneration and Human Capital Committee (Member)

Current Directorship in Other Listed Companies

- Jardine Cycle & Carriage (Director)

Other Principal Commitments

- Tembusu Partners (Director)
- Asia Pacific Exchange (Chairman)
- BW Group (Director)
- Ramky Enviro Engineers (Director)
- Summit Power International (Director)
- Kohlberg Kravis & Roberts (Senior Advisor)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Asia Advisory Board of Westpac Institutional Bank (Member) (till March 2018)
- Stamford Land (Director) (till November 2015)

Education and Achievements

- Master of Arts (Hons) in Mathematics/Engineering, University of Cambridge
- Master of Business Administration in Finance, Anderson School of Management, University of California at Los Angeles

Alexander Charles Hungate, 52

Non-Executive and Independent

Appointed as a director: 27 July 2017

Last re-elected as a director: 20 April 2018

Mr Hungate has more than 25 years of global leadership experience in financial services, marketing, customer service and strategic planning and development, having held senior management positions in various positions in SATS, HSBC and Reuters. He serves as a member of various business and community bodies, where he shares his knowledge to develop trade and strengthen communities.

Board Committee Position

- Remuneration and Human Capital Committee (Member)

Current Directorship in Other Listed Companies

- SATS (Director)

Other Principal Commitments

- SATS (President and Chief Executive Officer)
- Economic Development Board Singapore (Board Member)
- National Youth Achievement Award Association Advisory Board (Council Member)
- Future Economy Council (Member)
- Trade & Connectivity Sub-Committee of the Future Economy Council (Co-Chairperson)

Past Directorship in Listed Companies and Principal Commitments held over the Preceding Five Years

- Nil

Education and Achievements

- Master of Arts in Engineering, Economics and Management, Oxford University
- Master of Business Administration Programme (Baker Scholar), Harvard Business School



Michael Lien Jown Leam, 55

Non-Executive and Non-Independent

Appointed as a director: 27 July 2017
Last re-elected as a director: 20 April 2018

Currently the Executive Chairman of Wah Hin and Company, Mr Lien has extensive experience in the financial industry. He was a managing director of Morgan Stanley and headed its corporate finance business up to 2002. Prior to that, he served at Standard Chartered Merchant Bank Asia and Singapore's Ministry of Trade and Industry.

Mr Lien is a member of the National University of Singapore's Board of Trustees and its Investment Committee. In 2012, he founded Leap Philanthropy Limited, a charity that supports early philanthropy projects in Indochina. He previously served on the board of Temasek Holdings and was a director of United Overseas Bank between 3 May 2005 and 29 April 2009.

Board Committee Positions

- Executive Committee (Member)
- Nominating Committee (Member)

Current Directorship in Other Listed Companies

- Nil

Other Principal Commitments

- Wah Hin and Company (Executive Chairman)
- Sandstone Capital (Director and Chief Investment Officer)
- National University of Singapore (Trustee and Investment Committee Member)
- Leap Philanthropy (Founder)

Past Directorship in Listed Companies and Principal Commitments held over the Preceding Five Years

- Temasek Holdings (Director) (till June 2018)

Education and Achievements

- Bachelor of Economics (First Class Hons) in Finance and Econometrics, Monash University

Alvin Yeo Khirn Hai, 56

Non-Executive and Independent

Appointed as a director: 27 July 2017
Last re-elected as a director: 20 April 2018

The youngest lawyer to be appointed Senior Counsel at the age of 37, Mr Yeo is currently the Chairman and Senior Partner of WongPartnership. Among his areas of practice are banking and corporate disputes, restructuring and insolvency, and construction and civil engineering matters. Mr Yeo was an elected Member of Parliament from 2006 to 2015, and a former Chairman of the Government Parliamentary Committee for Home Affairs and Law. Currently, he serves as director and audit committee member on the boards of Keppel Corporation and United Industrial Corporation. He is a fellow of the Singapore Institute of Arbitrators.

Board Committee Positions

- Audit Committee (Member)
- Board Risk Management Committee (Member)

Current Directorships in Other Listed Companies

- Keppel Corporation (Director)
- United Industrial Corporation (Director)

Other Principal Commitments

- WongPartnership (Chairman and Senior Partner)
- Appeals Advisory Panel, Monetary Authority of Singapore (Member)
- Asia Pacific Users' Council, London Court of International Arbitration (Vice President)
- Panel of Disciplinary Tribunal Chairmen, Supreme Court of Singapore (Member)
- Panel of Disciplinary Tribunal Chairmen, Singapore Medical Council (Member)
- Court of Arbitration, Singapore International Arbitration Centre (Member)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Jubilant Pharma Limited (till September 2018)
- Neptune Orient Lines (till June 2016)
- Singapore Land (Director) (till August 2014)

Education and Achievements

- Bachelor of Laws (Hons), King's College, University of London
- Barrister-at-Law, England & Wales
- Chambers Asia-Pacific Outstanding Contribution to the Legal Profession Award (2017)

Board of Directors

As at 21 February 2019



Wee Ee Lim, 57

Non-Executive and Non-Independent

Appointed as a director: 1 July 2018

Currently the Chief Executive Officer and President of Haw Par Corporation, Mr Wee has been closely involved in the management and growth of the Haw Par Group over the last 30 years. He has varied experience in a number of industries ranging from investments, healthcare, leisure to property.

Board Committee Position

- Board Risk Management Committee (Member)

Current Directorships and Principal Commitments

- Haw Par Corporation (President & Chief Executive Officer and Director)
- UOL Group (Deputy Chairman)
- United Industrial Corporation (Director)
- Wee Foundation (Director)

Past Directorships in Listed Companies and Principal Commitments held over the Preceding Five Years

- Singapore Land (Director) (till August 2014)
- Hua Han Health Industry Holdings (till July 2015)

Education and Achievements

- Bachelor of Arts (Economics), Clark University

Group Management Committee

As at 28 February 2019

Management Executive Committee

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

Chan Kok Seong

Group Chief Risk Officer

Mr Chan joined UOB in 1998. He is the Head of Group Credit and Risk Management. Prior to his appointment in Singapore in September 2012, Mr Chan was the CEO of UOB (Malaysia). He holds a Bachelor of Accounting from the University of Malaya, Malaysia and is a member of the Malaysian Institute of Certified Public Accountants. Mr Chan has more than 30 years of experience in banking.

Frederick Chin Voon Fat

Head, Group Wholesale Banking

Mr Chin joined UOB in 2013. He heads the Group's Wholesale Banking business comprising commercial banking, corporate banking, transaction banking, structured trade and commodity finance, sector solutions group, product development, special asset-based finance, financial institutions business and investment banking. He holds a Bachelor of Commerce (Accounting and Econometrics) from the University of Melbourne, Australia. Mr Chin has more than 35 years of experience in banking.

Susan Hwee Wai Cheng

Head, Group Technology and Operations

Ms Hwee joined UOB in 2001. She is the Head of Group Technology and Operations, overseeing the global technology infrastructure and operations for the Group. She holds a Bachelor of Science from the National University of Singapore. Ms Hwee has more than 30 years of experience in banking technology and operations.

Eddie Khoo Boo Jin

Head, Group Retail

Mr Khoo joined UOB in 2005. He heads the Group's Retail businesses. He holds a Bachelor of Business Administration in Finance and Management from the University of Oregon, USA. Mr Khoo has more than 30 years of experience in consumer banking.

Lee Chee Pin

Head, Global Markets

Mr Lee joined UOB in 2016. He is the Head of Group Global Markets which includes market making, sales and structuring, portfolio and liquidity management as well as commodities brokerage and clearing. He holds a Bachelor of Science (Building) from the National University of Singapore and is a Chartered Financial Analyst. Mr Lee has more than 25 years of experience in the financial industry.

Francis Lee Chin Yong

Adviser, Group Retail

Mr Lee joined UOB in 1980. He advises the Group's Retail segment, which he headed for more than 15 years since 2003. Prior to his appointment in Singapore in 2003, Mr Lee was the CEO of UOB (Malaysia). He holds a Malaysian Certificate of Education and has more than 40 years of experience in the financial industry.

Lee Wai Fai

Group Chief Financial Officer

Mr Lee joined UOB in 1989. He leads the Group Finance, Investor Relations, Central Treasury, Data Management, Corporate Investments, Corporate Real Estate and Asset Management functions. He holds a Bachelor of Accountancy (Hons) from the National University of Singapore and a Master of Business Administration in Banking and Finance from the Nanyang Technological University, Singapore. Mr Lee has more than 30 years of experience in banking.

Group Management Committee

As at 28 February 2019

Management Committee

Peter Foo Moo Tan

*President and Chief Executive Officer,
United Overseas Bank (China) Limited*

Mr Foo joined UOB in 2011. He was appointed President and CEO of UOB (China) in December 2016. Prior to this, he served as President and CEO of UOB (Thai) from 2012. He was also previously the Head of the Group's treasury and Global Markets business for its overseas subsidiaries and branches. Mr Foo holds a Bachelor of Estate Management (Hons) from the National University of Singapore and is a Chartered Financial Analyst. He has more than 30 years of experience in managing banking and financial markets businesses.

Kevin Lam Sai Yoke

President Director, PT Bank UOB Indonesia

Mr Lam joined UOB in 2005 and was appointed the CEO of UOB Indonesia in May 2016. Prior to this, he served as Deputy CEO of UOB (Malaysia) where he oversaw its wholesale banking business and Technology and Operations. He headed consumer banking loans, sales and distribution in Singapore and Personal Financial Services in Malaysia. He holds a Bachelor of Business Administration from the National University of Singapore and has more than 25 years of experience in the financial industry.

Harry Loh Nee Thiam

Chief Executive Officer, United Overseas Bank (Vietnam) Limited

Mr Loh was appointed the CEO of UOB (Vietnam) Limited in 2018. Prior to his current appointment, he was the Myanmar Country Manager for UOB Yangon Branch from 2014 to 2016 and held various leadership roles at UOB (China) from 2000 to 2014. He holds a Bachelor of Business (Banking) from the Nanyang Technological University, Singapore. Mr Loh has more than 20 years of banking experience.

Daniel Ng Ming Thiam

Head, Group Audit

Mr Ng joined UOB in 2006. He is the Head of Group Audit. Prior to this, Mr Ng held various roles in Group Retail managing risk and analytics. Mr Ng is a Certified Financial Risk Manager, a Chartered Financial Analyst and a London Business School Sloan Fellow. Mr Ng has more than 20 years of experience in banking and consulting. He holds a Bachelor of Arts in Economics and Statistics from the National University of Singapore and a Sloan Master of Science in Strategy and Leadership from the London Business School.

Victor Ngo Vinh Tri

Head, Group Compliance

Mr Ngo joined UOB in 2004 and was appointed Head of Group Compliance in April 2017. Prior to this, he served as Head of Group Internal Audit since 2006. He is a Fellow of the Australian Society of Certified Practising Accountants and the Institute of Singapore Chartered Accountants, and is a Certified Information Systems Auditor. Mr Ngo holds a Bachelor of Applied Science in Computer Science and Operations Management from the University of Technology Sydney and a Master of Business Administration from Deakin University, Australia. He also has a Master of Science in Finance from the City University of New York, where he was elected to the Beta Gamma Sigma Honor Society. Mr Ngo has 30 years of experience in the banking industry.

Joyce Sia Ming Kuang

Head, Group Legal and Secretariat

Ms Sia joined the Bank in 2003. Ms Sia is the Company Secretary, Head of Group Legal and Secretariat, and the Bank's Data Protection Officer. Ms Sia holds a Bachelor of Law degree from National University of Singapore. She has more than 20 years of experience in banking, corporate governance in listed companies and legal advisory services.

Tan Choon Hin

*President and Chief Executive Officer,
United Overseas Bank (Thai) Public Company Limited*

Mr Tan was appointed President and CEO of UOB (Thai) in 2016. He joined UOB Group in 2012 as Head, Group Retail Credit. Prior to his present appointment, he was Head of Group Business Banking. Mr Tan has more than 20 years of experience in retail banking, credit and risk management across several Asian markets. He holds a Bachelor of Business (Hons) from the Nanyang Technological University, Singapore.

Dean Tong Chee Kion

Group Human Resources

Mr Tong joined UOB in 2018. He heads Group Human Resources. He holds a Master of Business Administration from the Wharton School, University of Pennsylvania, USA. Mr Tong has more than 20 years of leadership, talent and transformation project experience across Asia, Europe and the Americas in the financial services, consumer goods and telecommunications industries.

Wong Kim Choong

Chief Executive Officer, United Overseas Bank (Malaysia) Berhad

Mr Wong was appointed CEO of UOB (Malaysia) in 2012. Prior to this, Mr Wong served as President and CEO of UOB (Thai) from 2004. Mr Wong holds a Bachelor of Commerce from the University of Toronto, Canada. He has more than 35 years of banking experience.

Jenny Wong Mei Leng

Adviser, Group Human Resources

Ms Wong joined UOB in 2005. She advises Group Human Resources after serving as its Head for more than 15 years. She holds a Bachelor of Arts (Hons) from the University of Singapore and a Graduate Diploma in Personnel Management from the Singapore Institute of Management. Ms Wong has 30 years of experience in human resource management.

Ian Wong Wah Yan

Head, Group Strategy and International Management

Mr Wong joined UOB in 2012. He heads Group Strategy and International Management. He is responsible for the Group's corporate planning and has management oversight on the performance and governance of the Group's overseas banking subsidiaries and branches. Mr Wong holds a Bachelor of Business Administration from the National University of Singapore, and a Master of Business Administration from the J.L. Kellogg School of Management, USA and Hong Kong University of Science and Technology. He has more than 25 years of experience in corporate, institutional and investment banking.

Christine Yeung See Ming (Mrs Christine Ip)

*Chief Executive Officer,
UOB Greater China and UOB Hong Kong Branch*

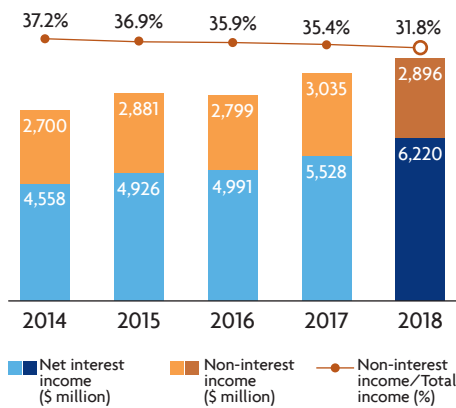
Mrs Ip was appointed CEO of UOB Hong Kong Branch in 2011 and CEO of UOB Greater China in 2016. She holds a Master of Business Administration from the Hong Kong University of Science and Technology and a Bachelor of Arts from the University of Hong Kong. Mrs Ip has more than 30 years of experience in consumer and corporate banking.

Janet Young Yoke Mun

Head, Group Channels and Digitalisation

Ms Young joined UOB in 2014 and heads Group Channels and Digitalisation. She is responsible for the distribution network of branches, self-service banking and the public website, financial technology and ecosystem partnership initiatives serving all customer segments. She holds a Bachelor of Business Administration from the National University of Singapore and a Master of Business Administration from the Nanyang Technological University, Singapore. Ms Young has more than 30 years of banking and treasury experience.

Financial Highlights



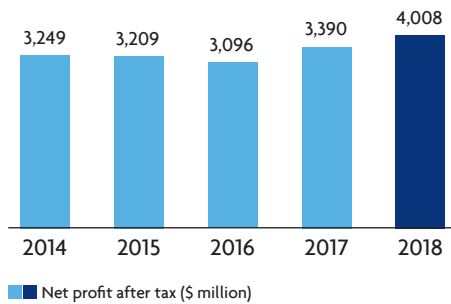
Total Income

Total income rose 6% to \$9.12 billion, led by strong growth in both net interest income and net fee and commission income.

\$9,116 million
+ 6%

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.

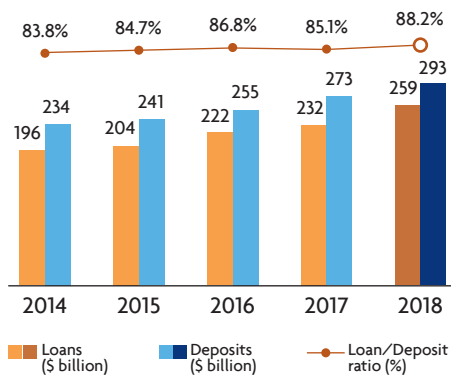
Net fee and commission income for the year increased 5% to \$1.97 billion, driven by the strong performance in loan-related, credit card, trade-related and fund management fees. Other non-interest income declined 20% to \$930 million mainly due to unrealised mark-to-market on investment securities and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



Net Profit After Tax

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

\$4,008 million
+ 18%



Customer Loans/Deposits

Customer deposits grew 7% to \$293 billion, led by growth in Singapore Dollar deposits.

Net Customer Loans
\$259 billion
+ 11%

The Group's funding position continues to be strong with healthy loan-to-deposit ratio at 88.2% as at 31 December 2018.

Customer Deposits
\$293 billion
+ 7%

Spurred by strong capital and funding, net customer loans grew 11% from a year ago to \$259 billion in 2018. The growth was broad-based across all territories and industries.

Loan/Deposit ratio
88.2%
+ 3.1% pt

Note: Net customer loans were net of total allowance.

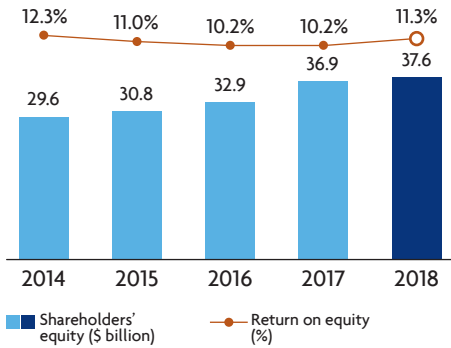


Loans by Geography

Singapore, which accounted for 52% of Group loan base, registered 8% growth year on year to reach \$137 billion while regional countries contributed a strong growth of 15%.

\$262 billion
+ 11%

Note: 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.

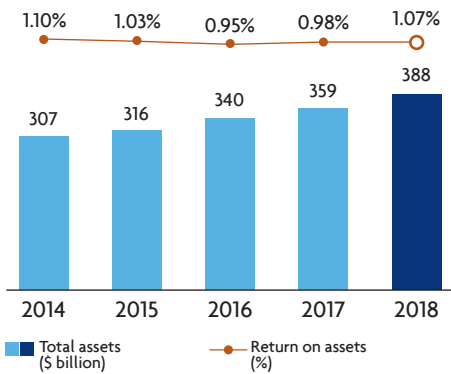


Shareholders' Equity/Return on Equity

Return on equity improved to 11.3% driven by record earnings in 2018.

Shareholders' equity increased 2% from a year ago to \$37.6 billion as at 31 December 2018, mainly driven by higher retained earnings.

Shareholders' Equity
\$37.6 billion
 + 2%
 Return on Equity
11.3%
 + 1.1% pt

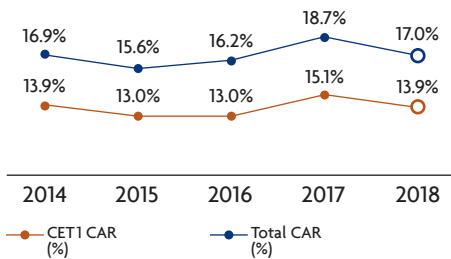


Total Assets/Return on Assets

Return on assets for 2018 similarly increased to 1.07% on improved earnings.

The Group's total assets grew 8% to \$388 billion in 2018 mainly on higher loan volume.

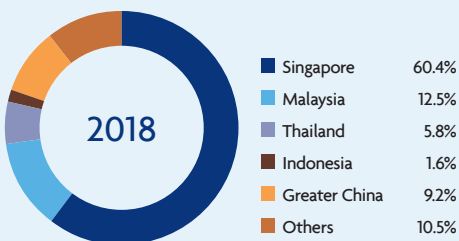
Total Assets
\$388 billion
 + 8%
 Return on Assets
1.07%
 + 0.09% pt



Capital Adequacy Ratio (CAR)

As at 31 December 2018, the Group's strong capital position remained well above the MAS minimum requirements with Common Equity Tier 1 and Total CAR at 13.9% and 17.0% respectively.

CET1 CAR
13.9%
 - 1.2% pt
 Total CAR
17.0%
 - 1.7% pt



Overseas Profit Before Tax Contribution

The Group's net profit before tax was 15% higher at \$4.83 billion.

Contributions from overseas was slightly lower at 39.6% in 2018 when compared with 40.8% a year ago.

39.6%
 - 1.2% pt

Financial Highlights

Five-Year Group Financial Summary

	2014	2015	2016	2017	2018
Selected Income Statement Items (\$ million)					
Total income ¹	7,258	7,807	7,790	8,563	9,116
Total expenses ¹	2,947	3,356	3,425	3,739	4,003
Operating profit ¹	4,311	4,451	4,365	4,824	5,113
Net profit after tax ²	3,249	3,209	3,096	3,390	4,008
Selected Balance Sheet Items (\$ million)					
Net customer loans	195,903	203,611	221,734	232,212	258,627
Customer deposits	233,750	240,524	255,314	272,765	293,186
Total assets	306,736	316,011	340,028	358,592	388,099
Shareholders' equity ²	29,569	30,768	32,873	36,850	37,628
Financial Indicators (%)					
Cost/Income ratio	40.6	43.0	44.0	43.7	43.9
Non-performing loans ratio	1.2	1.4	1.5	1.8	1.5
Return on average ordinary shareholders' equity	12.3	11.0	10.2	10.2	11.3
Return on average total assets	1.10	1.03	0.95	0.98	1.07
Return on average risk-weighted assets	1.94	1.74	1.51	1.63	1.93
Capital adequacy ratios					
Common Equity Tier 1	13.9	13.0	13.0	15.1	13.9
Tier 1	13.9	13.0	13.1	16.2	14.9
Total	16.9	15.6	16.2	18.7	17.0
Per ordinary share					
Basic earnings (\$)	1.98	1.94	1.86	1.99	2.34
Net asset value (\$)	17.09	17.84	18.82	20.37	21.31
Net dividend (cents) ³	75	90	70	100	120
Dividend cover (times) ³	2.70	2.22	2.73	2.04	2.00

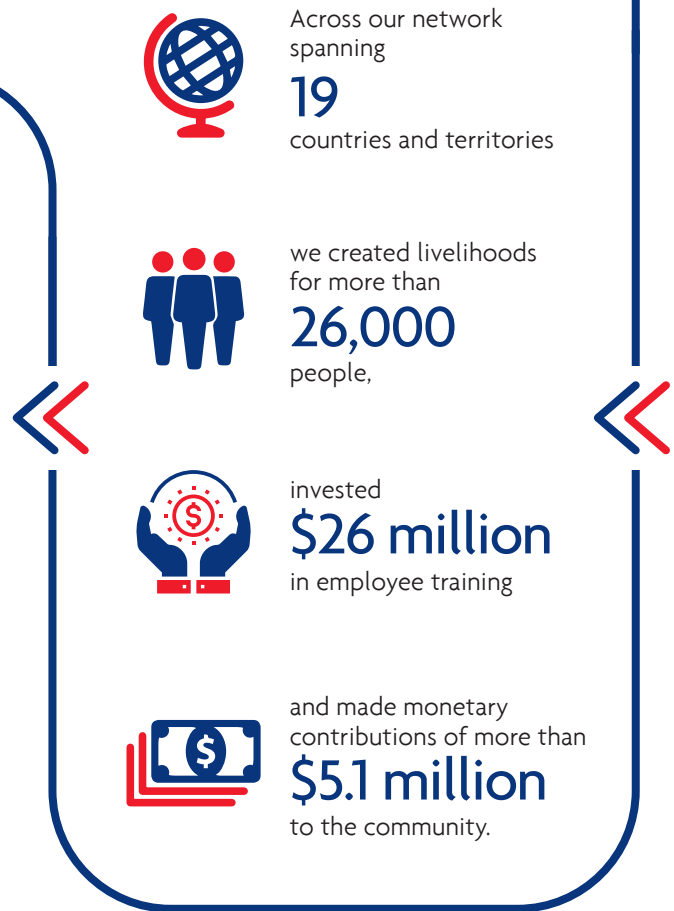
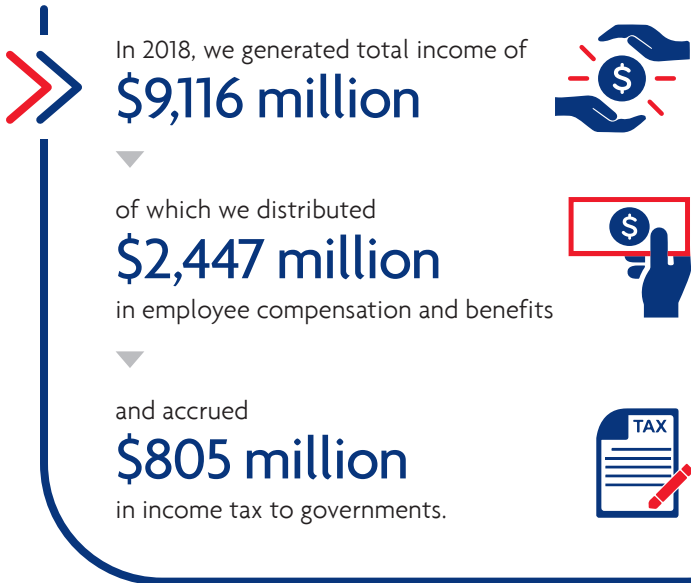
1 With effect from 1 January 2018, operating profit is presented net of fee and commission expense. The comparative figures have been restated to conform with the current period's presentation.

2 Relates to the amount attributable to equity holders of the Bank.

3 Included a special dividend of 5 cents in 2014 and 20 cents in 2017 and 2018 respectively. 2015 included UOB's 80th Anniversary dividend of 20 cents.

Economic Value of Our Contributions

UOB is committed to contributing to the region's progress and growth through the direct and indirect economic value we create for our stakeholders.



United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries

31 December 2018

Year in Review

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Sustainability Approach

As a leading financial institution in Asia, UOB is focused on creating sustainable value for our stakeholders and aligning our long-term business strategies with their interests. As we continue to deepen our presence across the region, we seek to address the environmental, social and governance (ESG) risks and effects of our operations in a manner consistent with our values. This is also in line with our commitment to help ensure a safe, secure and trusted banking system.

Board Statement on Sustainability

The Board is committed to building on the Bank's rich heritage to continue creating long-term value for all its stakeholders. Integral to the business direction UOB takes is its sustainability strategy. In formulating this strategy, the Board considered the factors which contribute to the sustainable growth of the Bank. As part of the process, the Bank undertakes an annual exercise to gather and to assess data and insights from across the organisation and from its external stakeholders.

Together with Management, the Board identified opportunities relevant to the long-term success of the Bank and determined the material ESG risks to be managed. Through its Committees, the Board oversees the management and monitoring of these factors to ensure that the Bank is responding effectively to developments in the market and in view of its stakeholders' expectations. The Board and Management are supported in this regard by the Bank's dedicated ESG Committee comprising senior executives from functions across the organisation.

The framework of UOB's sustainability reporting is in line with the Singapore Exchange (SGX) Sustainability Reporting Guide and the Global Reporting Initiative (GRI) Standards. We are pleased to state that for its disclosure on material topics in its Annual Report 2017, UOB received Special Recognition for Stakeholder Engagement and Materiality at the Singapore Sustainable Business Awards 2018. The report was also a finalist for Asia's Best Sustainability Report within an Annual Report at the Asia Sustainability Reporting Awards 2018.

The Bank's values of Honour, Enterprise, Unity and Commitment underpin UOB's sustainability strategy. These will continue to guide its people, policies and processes to ensure the long-term interests of its stakeholders are met and the performance of UOB sustained.

UOB's approach to sustainability is being pragmatic and progressive in addressing the material risks and opportunities that may have an impact on our customers, colleagues, suppliers, investors and the communities in which we operate. We believe that

as one of Asia's largest banks, we have a duty to contribute to the region's long-term economic, social and environmental well-being. This responsible, long-term approach is central to our business activities.

Sustainability Approach

Sustainability Governance Structure



In 2018, the Bank set up a dedicated ESG Committee, a senior management committee that reports directly to the Management Executive Committee (MEC) on the Group's sustainability matters. This ensures that ESG factors are given due consideration in all aspects of our operations. The ESG Committee members represent the Bank's business and support units, and through their activities, seek to address the potential risks and effects of our operations in relation to the economy, environment and society. The ESG Committee reviews material ESG topics, identifies risks and opportunities, evaluates emerging issues, collates and assesses relevant data, and monitors the progress of sustainability-related programmes and initiatives.

The Board, through the Executive Committee, and the MEC review and determine the material ESG factors and their scope, evaluate key performance indicators, review long-term business and organisational goals and provide the strategic direction for the Bank's sustainability practices. They also oversee the management and monitoring of these material ESG factors, and review and approve relevant disclosures.

Sustainability Reporting Frameworks and Principles

Our sustainability reporting is in accordance with the GRI Standards: Core Option, issued by the Global Sustainability Standards Board in October 2016. We have also included indicators from the GRI G4 Financial Services Sector Disclosures paper. The GRI Content Index, which provides the location of material disclosures within this report, is on pages 299 to 303 of this report.

In determining our reporting content, we have applied the GRI Standards (GRI 101: Foundation 2016). To identify the factors most material to our business, in 2018 we conducted a materiality assessment with internal and external stakeholders. The assessment also helped us to understand our stakeholders'

sustainability-related interests, expectations and concerns. In that regard, we considered the broader sustainability context in which our business operates and we reported our relevant performance indicators for the past three years for material ESG factors, unless noted otherwise.

To ensure reporting quality, we have observed the principles of accuracy, balance, clarity, comparability, reliability and timeliness to help our stakeholders assess our overall ESG performance.

Our sustainability reporting complies with the SGX-Securities Trading Limited Listing Rules 711A and 711B, and Practice Note 7.6 Sustainability Reporting issued in June 2016.

The ESG information provided in this report is not externally assured. We relied on internal data monitoring and an internal verification process to ensure accuracy, while our external sustainability consultant reviewed the data and information, verified samples of data and conducted interviews to ascertain accuracy.

Scope of Reporting for GRI Disclosures

The UOB Annual Report 2018 is our third annual report that includes GRI disclosures and provides an overview of the Group's sustainability efforts from January to December 2018. UOB's previous annual report which included sustainability-related disclosures was published in 2018. Unless otherwise stated, the GRI-related sustainability disclosures in this report include all entities and divisions within the Group.

Sustainability Strategy

When making business decisions and developing our products and services, we consider our stakeholders' expectations in appreciation of what is material to them. As part of our commitment to sustainable and responsible growth, we also seek to identify, to assess and to manage social and environmental risks, challenges, impact and opportunities. This is carried out within a robust governance framework, underpinned by policies and guidelines that define our commitment and guide our approach to conducting business.

We refine our sustainability strategy continually through extensive discussions and workshops with teams from across the Bank. In our evaluation and planning, we start with internal factors that are key to the long-term growth of our business. Some of these factors are strong governance, employee health, safety and well-being, diversity and inclusion, as well as attracting, developing and retaining talent. Our deliberations also include wider sustainability trends affecting businesses globally, such as responsible financing, increasing interest in green products and services and a changing regulatory landscape. In addition, we consider our alignment with the United Nations Sustainable Development Goals (UN SDGs) and the Paris Climate Agreement.



Our sustainability strategy mirrors our business approach of balancing growth with stability. It takes into account the influence and impact our decisions and actions might have on our customers, colleagues, investors, community and the environment. It also ensures we remain economically relevant through managing ESG risks and opportunities practically and in line with market realities. To enable our programmes and initiatives to take root and to grow, we have ensured alignment with the ESG regulatory policies and guidelines in each of our key markets. Just as our business strategy hinges on doing what is right for our customers, our sustainability strategy informs our engagement with our stakeholders and how we can help them in their own practices for positive outcomes in the long run.

The pillars of our sustainability strategy arise from our fundamental strengths and are rooted in our values. They reflect the Bank's expertise, the responsibilities we hold and the role we can play for the long-term benefit of our key stakeholders. Each of the pillars determines a set of objectives which we strive to achieve to ensure that we implement our strategy with clear plans and purpose.

In sustaining growth responsibly, we incorporate sustainability risk elements in our approach to risk management. This includes integrating ESG considerations into our credit evaluation and approval processes. Beyond financing, we are increasing impact investing in our portfolio allocation. For our customers, we help develop and provide sustainable solutions that will assist them in making a difference. We also align our sustainable development efforts with the UN SDGs.

As we focus on doing what is right for customers, we ensure that Fair Dealing principles are entrenched in all aspects of our relationship with them. Keeping their best interests in mind, we harness technology and use data to make banking simpler, smarter, safer and more intuitive for them. By doing so, we aim to make banking more accessible and inclusive in the communities in which we operate. Standing by our customers also means that we must protect their data and privacy, and maintain the security and robustness of our systems.

Our colleagues enable us to ensure the best outcome for our customers, our business and our community. Hence we develop professionals of principle – high-performing teams and individuals who are guided by our values. We embrace diverse abilities and strengths as these enhance our capabilities and enrich our competitiveness. We equip our colleagues to take on the challenges of tomorrow even as we care for their welfare and work-life harmony today. We also foster a sense of belonging among our colleagues by encouraging volunteerism and increasing their engagement and satisfaction.

We believe that as a responsible financial services provider, we have a role to play in strengthening the fabric of society by supporting the spirit of enterprise across all stages of business growth and protecting the financial system for its full benefits to be felt. We remain steadfast in our commitment to promote the development of art, children and education, and to help protect the environment – all aimed at contributing to a strong and sustainable future for the wider community.

Sustainability Approach



Alignment of our Sustainability Strategy and Objectives with the United Nations Sustainable Development Goals (UN SDGs)

The UN SDGs set the global agenda for sustainable economic, social and environmental development by 2030 and call for action by both the public and private sectors. Of the 17 UN SDGs, we have identified 11 to which we align our sustainability strategy and objectives, as they are areas that UOB is better-placed to support.

Sustain Growth Responsibly

Incorporate sustainability risk in our approach to risk management



Integrate social and environmental considerations into our credit evaluation and approval processes



Increase impact investing in our portfolio allocation



Develop and provide sustainable solutions that enable our customers to make a difference



Align our focus with the UN SDGs



Keep Customers at the Centre

Ensure Fair Dealing



Harness technology to make banking simpler, smarter and safer



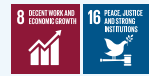
Use data effectively to design intuitive customer experiences



Make banking more accessible and inclusive



Secure our systems and protect customer data and privacy



Develop Professionals of Principle

Develop high-performing teams and individuals guided by UOB's values



Embrace diverse abilities and strengths



Develop skillsets and mindsets for the future



Ensure workplace health and safety



Promote work-life harmony



Encourage employee volunteerism



Increase employee engagement and satisfaction



Strengthen Community Bonds

Protect the financial system against those who try to abuse it



Support businesses across all stages of growth



Support social development in the areas of art, children and education



Encourage sustainable procurement and supply chain



Manage the impact of our environmental footprint



Partner colleagues, customers and vendors to promote the UN SDGs



We Support 11 of the 17 UN SDGs



Asia Sustainable Finance Initiative (ASFI)

UOB collaborates with industry bodies and across industries to ensure that ESG-related best practices are drawn out and implemented for the benefit of our stakeholders. With this aim, the Bank established a collaborative effort with the local banking industry and the ASFI in 2018. From January 2019, the collaboration will explore how material ESG factors can be integrated more efficiently and effectively into business operations.

Through this initiative, we will ensure that our approach to risk continues to keep pace with accelerating changes in the economy, environment and society. We are also aware that the growing sustainability industry opens up business opportunities for our customers and us.

ASFI was established by the World Wide Fund for Nature (WWF) as a multi-stakeholder initiative that aims to harness and to amplify the power of the financial sector to create resilient, climate-smart and resource-efficient economies. Based in Singapore, ASFI brings together academics, industry and science-based resources to develop and to coordinate best practice sustainable finance initiatives across Asia.

Task Force on Climate-related Financial Disclosures (TCFD)

Reducing global greenhouse gas emissions is one of the most complex and defining issues of our time. We acknowledge the importance of contributing to this common goal and seek to manage climate change-related risks while exploring new

opportunities with our clients. We are developing a roadmap toward adopting the recommendations of the TCFD published by the Financial Stability Board to provide guidance for more effective climate-related disclosures. To this end, we will begin by focusing on qualitative reporting on the governance, strategy and risk management components of the TCFD's recommendations.

Material ESG Factors

To identify the ESG factors which matter most to our business and to our stakeholders, we conduct materiality assessments and stakeholder consultation on a continual basis.

The annual materiality assessment exercise identifies the environmental, social and economic topics we should prioritise to ensure the success of our business, while also supporting sustainable development. The results inform our strategic decision-making and reporting framework. Our analysis combines quantitative and qualitative research to provide an holistic overview of stakeholder expectations.

The materiality assessment process involves identifying relevant factors based on industry mega-trends and stakeholder feedback. UOB surveys internal as well as external stakeholders to rank the factors based on the significance they give to each of the ESG topics. Participants' responses are then assessed to create a materiality matrix that reasonably reflects the sustainability factors most relevant to UOB and its stakeholders.

Sustainability Approach

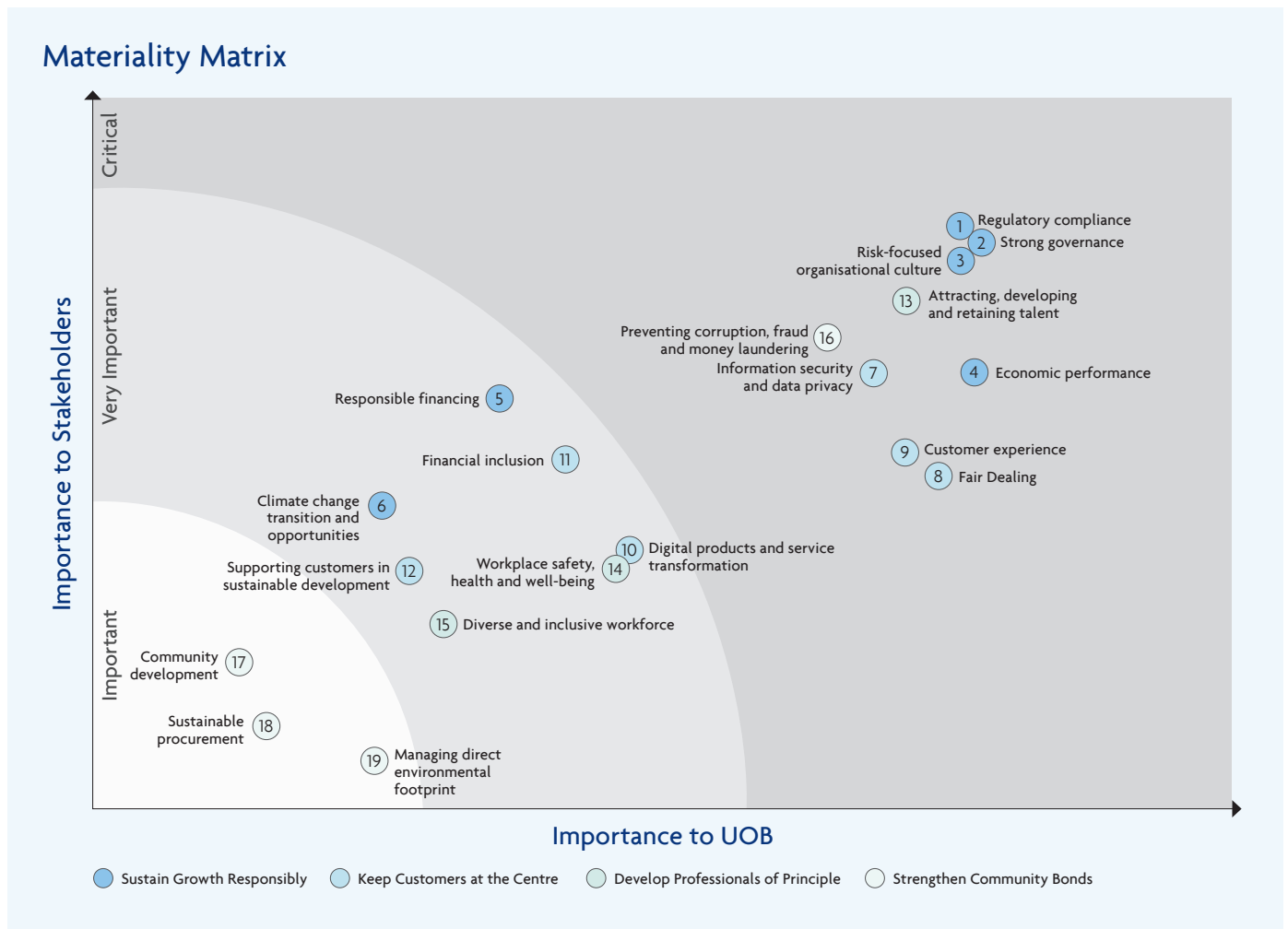
In 2018, surveys were conducted with four stakeholder groups including colleagues, investors and analysts, non-governmental organisations and other financial institutions. Participants were asked to rate ESG factors based on importance and to provide their recommendations and comments. In addition, senior representatives from all business units were invited to score the same factors and to express their opinions.











Following the 2018 materiality assessment, we added to, regrouped and renamed our material ESG factors to make our sustainability stance more explicit, industry-aligned and reflective of investor interests. Nineteen ESG factors were aligned to our sustainability pillars and include new topics such as strong governance, climate change transition and opportunities, Fair Dealing and supporting clients in sustainable development. The factors, which are categorised into Critical, Highly Important and Important based on the significance to UOB and to our stakeholders, guide us in our practices and reporting, as well as our approach to stakeholder engagement.

Our priorities remain centred on building an ecosystem where enterprise and innovation can thrive, enabling simpler and safer banking for all through the use of technology, supporting corporate clients in managing their businesses locally and as they expand across borders, and helping retail customers plan, save, spend and invest wisely.

We believe that security is paramount given the rapid development of technology and disruptive business models, and the changing regulatory landscape. There is also growing sophistication of financial crime and cyber threats. In safeguarding the interests of our stakeholders, we maintain the robustness of our systems and processes and uphold our role in ensuring a safe, secure and trusted banking system.









Our investments are also directed to nurturing our colleagues, embracing diversity and inclusiveness, promoting trade and industry, focusing on responsible financing, encouraging entrepreneurship and making our financial services accessible to all sections of society. We support the development of the communities in which we operate and play our part in managing our direct environmental impact.



Material ESG Factors	Our Value Creation	Material Topic Boundary	Priority	Reference (Page Number)
Sustain Growth Responsibly				
① Regulatory compliance 	<ul style="list-style-type: none"> Maintaining sound risk management systems Complying with applicable laws, rules, regulations and standards 	▲	Critical	69, 104-105
② Strong governance 	<ul style="list-style-type: none"> Upholding the highest standard of ethics and corporate governance in our conduct and culture 	▲	Critical	122-140
③ Risk-focused organisational culture 	<ul style="list-style-type: none"> Maintaining a robust risk management framework to protect the interests of our stakeholders Remaining nimble to seize business opportunities amid a fast changing environment 	▲	Critical	69, 104-105
④ Economic performance 	<ul style="list-style-type: none"> Delivering consistent returns for our investors Contributing to local economies through taxes, job creation, facilitating trade and industries and building the financial resilience of our stakeholders 	▲	Critical	22-23, 115, 182-291
⑤ Responsible financing 	<ul style="list-style-type: none"> Addressing environmental, social and governance issues when making lending decisions 	▲	Very Important	33-34
⑥ Climate change transition and opportunities 	<ul style="list-style-type: none"> Ensuring that our approach to risk management adequately addresses climate change risks Supporting new and viable business opportunities in the sustainability industry 	▲	Very Important	29
Keep Customers at the Centre				
⑦ Information security and data privacy 	<ul style="list-style-type: none"> Ensuring the confidentiality and security of our customers' information through extensive policies and processes Protecting our customers from cyber threats through robust risk management systems and processes 	▲	Critical	37, 42
⑧ Fair Dealing 	<ul style="list-style-type: none"> Treating customers fairly based on the principles of integrity, trust and respect 	▲	Critical	36
⑨ Customer experience 	<ul style="list-style-type: none"> Creating responsible solutions across our businesses to meet our customers' needs 	▲	Critical	35-67
⑩ Digital products and service transformation 	<ul style="list-style-type: none"> Making banking simpler, smarter and safer for our customers through innovation and technology 	▲	Very Important	37-41, 46-53, 56, 59-65, 71

▲ Within and outside the organisation ● Within the organisation

Sustainability Approach

Material ESG Factors	Our Value Creation	Material Topic Boundary	Priority	Reference (Page Number)
Keep Customers at the Centre				
11  Financial inclusion	<ul style="list-style-type: none"> Making banking services and products accessible and affordable to diverse segments of society to meet their needs and expectations 	▲	Very Important	35-67
12  Supporting customers in sustainable development	<ul style="list-style-type: none"> Helping customers to identify and to address ESG-related risks and opportunities in their businesses Encouraging innovation and enterprise, and nurturing start-ups and small- and medium-sized enterprises 	▲	Very Important	55-56, 66-67
Develop Professionals of Principle				
13  Attracting, developing and retaining talent	<ul style="list-style-type: none"> Treating our colleagues with care and respect Investing in training and career development for our colleagues 	●	Critical	71-73, 78
14  Workplace safety, health and well-being	<ul style="list-style-type: none"> Providing our colleagues with a conducive work environment 	●	Very Important	71
15  Diverse and inclusive workforce	<ul style="list-style-type: none"> Hiring from diverse cultural backgrounds, age groups, gender and abilities 	●	Very Important	70, 76-77
Strengthen Community Bonds				
16  Preventing corruption, fraud and money laundering	<ul style="list-style-type: none"> Adopting zero tolerance approach to bribery and corruption, and ensuring transparency and accountability Assisting regulators in preventing cybercrime, money laundering, funding of terrorism and dealing with sanctioned persons 	▲	Critical	69, 104-105
17  Community development	<ul style="list-style-type: none"> Supporting social development in the areas of art, children and education 	▲	Important	79-99
18  Sustainable procurement	<ul style="list-style-type: none"> Adopting sustainable procurement practices 	▲	Important	115
19  Managing our direct environmental footprint	<ul style="list-style-type: none"> Managing energy, water and resource consumption more efficiently, reducing greenhouse gas emissions and minimising waste 	▲	Important	92-97

▲ Within and outside the organisation ● Within the organisation

Responsible Financing

Just as we are prudent in our business practices to ensure financial stability through credit cycles, we are committed to mitigating ESG risks in our operations. We recognise that we have an important role to play through our business practices in helping our customers make responsible decisions and support sustainable development. The Bank has a dedicated ESG team with clear roles and responsibilities to ensure we implement our ESG strategy and comply with related policies.

In the area of responsible financing, we have integrated the principles of The Association of Banks in Singapore (ABS) Guidelines on Responsible Financing into our business model.

The MEC has oversight of ESG matters including climate change risks and opportunities which may impact our financing activities. The Credit Committee approves our Responsible Financing Policy, which is part of the UOB Group's Corporate Credit Policy. This ensures that ESG considerations are integrated into our credit evaluation and approval processes. Group Credit is responsible for ensuring that ESG risks are adequately addressed and, where necessary, borrowers or projects with elevated ESG risks are escalated to the Credit Committee for further review and approval. Consistent with UOB's overall risk management approach, ESG risks are managed through our three Lines of Defence control structure.

Our Responsible Financing Policy applies to all borrowing customers of Group Wholesale Banking and to the Bank's capital market activities. Under the policy, our account officers are required to conduct due diligence on all new and existing borrowers during the client onboarding process and annual credit review. Borrowers are assessed for material ESG risks as well as their capacity for, commitment to and track record in sustainability. We have also implemented sector-specific Credit Acceptance Guidelines and have ESG checklists in place to help our account officers identify, assess and review ESG risks.

In accordance with the ABS Responsible Financing Guidelines, borrowers are subject to enhanced due diligence with sector-specific guidelines if they fall within the following eight ESG-sensitive industries:

- Agriculture
- Metals and Mining
- Chemical
- Infrastructure
- Forestry
- Defence
- Energy
- Waste Management

In 2018, we enhanced our ESG risk classification to identify, to measure and to manage the ESG risks in our portfolio more effectively. Our borrowers are classified as 'high', 'medium' or 'low' risk. This is based on the level of ESG risk inherent in their

business operations and the residual ESG risk after taking into consideration their ability to mitigate the inherent risk through policies and measures.

Our Responsible Financing Policy prohibits our financing of companies:

- with operations or projects that threaten the outstanding universal value or special characteristics of UNESCO World Heritage Sites, Ramsar Wetlands, forests of high conservation value or that would impact critical natural habitats significantly;
- involved in animal cruelty and the trade of endangered species as defined by the Convention on International Trade in Endangered Species of Wild Fauna and Flora;
- without measures in place to manage or to mitigate the risk of air, soil and water pollution;
- involved in the exploitation of labour, including forced labour and child labour, based on the International Labour Organisation (ILO) standards;
- in violation of the rights of local or indigenous communities; and
- involved in open burning for land clearance.

These financing prohibitions are cross-cutting commitments that apply to all new and existing clients across sectors and help to bolster our efforts in fostering sustainable development through responsible financing.

We notify our borrowers that they need to adhere to our Responsible Financing Policy and seek their representations and warranties to ensure compliance, including with local ESG regulations in the countries in which they operate. We also encourage them to follow established industry standards, to obtain relevant certifications and to adopt best practices for proper water and waste management, the reduction of greenhouse gas emissions and the management of occupational health and safety risks. The policy references international standards and conventions such as the Roundtable on Sustainable Palm Oil, Forest Stewardship Council, World Heritage Convention, and best industry practices provided by the International Finance Corporation.

We engage with our borrowers proactively and work with them to improve their ESG practices. In addition, we monitor our borrowers on an ongoing basis for any adverse ESG-related news. Any known material ESG-related incident relating to our borrowers will trigger an immediate review with the ESG risks to be addressed and managed appropriately. We require our borrowers to rectify any breach of our policy within a stipulated timeframe with account officers responsible for monitoring

Sustainability Approach

their progress. However, if we deem our borrowers unable or unwilling to commit to managing the potential adverse impact of their operations adequately, we are prepared to review and to reassess the relationship, or to reject the transaction.

We review our Responsible Financing Policy periodically in consideration of changing societal and stakeholder expectations.

Recognising the threat of climate change and the adverse effect it increasingly has on the environment, businesses and society, we discontinued all new financing of subcritical coal-fired power plant projects in 2018. We now only support higher efficiency, lower emission coal-fired power plants with maximum carbon intensity of 830 grammes of carbon dioxide per kilowatt hour. We have also adopted a more selective stance on the financing of coal mining projects, prohibiting those that are involved in the production of low-energy density coal.

In 2017, we also incorporated into our policy the requirements of the ABS Haze Diagnostics Kit for the financing of the palm oil, and pulp and paper industries. This reflects our commitment to help address transboundary haze pollution in the region resulting from open burning for land clearance.

In light of the health risks to the community, we have stopped financing asbestos mining and new building projects that use asbestos in the construction process.

We review our portfolio's ESG exposure periodically. As at 31 December 2018, all applicable borrowers had undergone the ESG risk assessment with relevant risks adequately managed and mitigated, where possible. In the last quarter of 2018, seven borrowers were placed under heightened monitoring due to ESG concerns, two of which were escalated for further review. The Bank had not had a significant concentration in any of the eight ESG-sensitive sectors, which collectively accounted for approximately 10 per cent of our total loan portfolio.

We maintained a strong focus on our capacity-building efforts across the region in 2018 with more than 80 per cent of our colleagues in relevant roles undergoing training on responsible financing. The training programmes enable them to strengthen their awareness of key ESG issues and developments, to keep abreast of changes to the Bank's Responsible Financing Policy and processes, and to identify and to assess ESG risks more effectively. The ESG Committee, senior management and the Board have also received relevant training and actively participated in sustainability forums and workshops, which enable them to ensure better integration of sustainability considerations into the Bank's overall strategy.

We are committed to doing our part in driving industry developments. Over the past two years, we have supported ABS and the ASEAN Bankers Association in a number of capacity-building workshops in the region. We are also working closely with ABS and the WWF on an industry-wide e-learning portal on responsible financing, aimed at strengthening the ESG capabilities of banks in Singapore.

The portal is expected to be launched in 2019. Through ABS, we also led efforts among the Singapore banks to incorporate ESG requirements in their loan agreements.

We will continue to engage with regulators and collectively shape a more sustainable financial system. Apart from the regulators, we will also continue to engage with other key stakeholders, including our customers, colleagues, investors, policy makers, the community and non-governmental organisations, to ensure that we keep abreast of industry developments and meet evolving expectations.

Promoting ESG Awareness and Tapping Green Opportunities

At UOB, we endeavour to promote ESG awareness among our clients, particularly those in the ESG-sensitive industries, and to support them in improving their ESG practices. We continued our outreach efforts in 2018. In July, we organised a conference in Jakarta, Indonesia for our clients in the construction sector. At the event, they heard from industry experts on health and safety management and best practices in construction. Another forum on solar energy was also held in Jakarta in December where industry leaders shared insights on the current landscape and future for solar energy.



We helped our clients to gain insights into sustainability topics through events, including forums.

In addition, we are committed to supporting our customers' transition to a low carbon economy and are actively capitalising on green opportunities. In October 2018, UOB was appointed the facility agent and one of the mandated lead arrangers for Frasers Tower's \$1.2 billion syndicated secured green loan in Singapore. This was the first syndicated secured green loan in Southeast Asia under the Green Loan Principles. We also support viable renewable energy projects such as solar and mini-hydro energy projects in the region as part of our phased approach to transitioning to a lower carbon energy portfolio.

Customers

UOB's heritage and values guide how we establish and deepen relationships with our customers wherever they are. We are committed to acting in their best interests and we help them meet their business, financial and lifestyle goals by providing them with the most appropriate solutions and services. Taking an omni-channel approach, we harness technology to turn our innovative ideas into distinctive experiences that our customers would appreciate. This ensures that every experience of theirs is safe, reliable, to their preference and wrapped in the warmth of the human touch.

Our Customer Commitments

In all our decisions and actions for our customers, we strive to meet four commitments, each of which is built on our values of being Honourable, Enterprising, United and Committed.



Honourable

Treat You Fairly

We maintain the highest professional and ethical standards in all our dealings with our customers. We are uncompromising in our discipline, clarity and courage to do what is right for them and to make every decision in their best interest.



Enterprising

Provide You with the Right Solution

We draw on our experience, insight and entrepreneurial spirit to provide our customers with solutions that help them achieve their financial goals and aspirations, and manage their daily and future requirements, however simple or complex.



United

Know You Personally

We learn our customers' preferences and know what counts for them with every interaction. By understanding them better, we anticipate their needs and offer them the most relevant financial solutions.



Committed

Be There When It Matters

We value the relationships that we build and hold with our customers and we are ready to help them through market cycles, across borders and over generations.



Upholding our values every day and doing what is right for our customers.

Customers

Treating You Fairly

Ensuring a Fair Dealing Culture

The core elements of Fair Dealing – integrity, trust and respect – are deeply rooted in all aspects of the relationships we hold and nurture with our customers. This can be seen from how we develop our products and services through to our after-sales care.

We ensure Fair Dealing is central to our culture by:

- offering products and services which are suitable for our customers;
- ensuring our colleagues are competent in providing quality advice and appropriate recommendations;
- providing clear, relevant and timely information so that our customers can make informed financial decisions; and
- dealing with customer complaints independently, effectively and promptly.

Our Fair Dealing Guidelines Committee champions Fair Dealing across the Group and assists the Board and the senior management in ensuring Fair Dealing outcomes for our customers are met. The Committee reviews and approves the action plans, guidelines, management information framework, processes and practices to this effect. The business functions also report their progress to the Committee periodically.

Our Product Sales Committee (PSC) reviews and/or approves all investment products, as defined under the Financial Advisers Act, Securities and Futures Act and the Insurance Act, which are distributed by UOB and its banking subsidiaries. The relevant Product Due Diligence and Sales Governance frameworks are also reviewed and approved by the PSC.

All UOB colleagues must complete an e-learning module on Fair Dealing every year. We also produce high-impact content and visuals for regular and frequent internal communications campaigns to reinforce understanding and to embed the practice of Fair Dealing across the organisation.

Resolving Customer Concerns Effectively

We take customer feedback seriously and have robust procedures in place to address their concerns promptly and fairly. We have guidelines to govern the complaint investigation and resolution process and an independent review panel to review complaints.

In 2018, we maintained our standard of resolving 98 per cent of general complaints within five business days. Our Group-wide training programme, The Art of Service Recovery, equips our colleagues with the necessary skills to resolve customer complaints



Participants at the Art of Service Recovery workshops across our markets develop new ways to serve our customers better.

and to turn challenging situations into positive outcomes. In 2018, we conducted 22 Art of Service Recovery workshops for 617 colleagues from China, Indonesia, Malaysia, Singapore and Thailand.

We also conduct root-cause analyses of our customers' feedback and review these with the respective business and support units to address our customers' concerns and to identify areas for improvement. In 2018, we also engaged external consultants – the Institute of Service Excellence at the Singapore Management University and Ascentiq – to share their research findings for our teams to gain further insights into the changing needs of customers.

We form cross-functional teams to develop, to refine and to implement improvement initiatives using the consolidated customer insights drawn from internal and external sources. The teams share the progress of their efforts and best practices at the annual Fair Dealing workshop in Singapore.

At the workshop in 2018, eight teams from Indonesia, Malaysia and Singapore presented a total of 115 initiatives and their impact on our customers' experience. These continuous improvement efforts contributed to a 63 per cent rise in customer compliments and an 11 per cent drop in complaints in Singapore over 2017.



Our colleagues from Indonesia, Malaysia and Singapore shared 115 initiatives to improve our processes, service standards and customer experience.

Raising Customer Satisfaction and Advocacy

The contentment of our customers matters to us. We continually seek their opinion which helps us to keep improving the quality and raising the standard of our products and services. To measure customer satisfaction and retention across our business and product groups, we use the Net Promoter Score (NPS) metrics which indicate the likelihood of a customer recommending a company's brand, product or service to others. The NPS is an established worldwide metric used to measure customer loyalty and to predict business growth.

In Singapore, of the Personal Financial Services customers who purchased investment and insurance products in 2018, 60 per cent stated they would recommend UOB to their friends and family. In 2018, we introduced the NPS metrics for retail customers who purchased investment and insurance products in China, Indonesia, Malaysia and Thailand. We also extended the metrics for our Business Banking, Commercial Banking and Private Bank customers in Singapore.

Through industry surveys, we obtain an independent gauge of the level of our customer satisfaction. The surveys include the Customer Satisfaction Index of Singapore (CSISG), an industry benchmark administered by the Workforce Singapore Agency and Singapore Management University. Our CSISG score published in 2018 improved to 72.4, compared with 71.7 the previous year.

Providing You with the Right Solution

Making Banking Simpler, Smarter and Safer

With technological advances accelerating the speed and tenor of change, we ensure that innovation makes banking simpler, smarter and safer for our customers.

Our investments focus on enhancing products and solutions, improving customer experience and strengthening our infrastructure to address regulatory changes, data protection and cybersecurity threats. In the last five years, we have invested \$1.6 billion to improve our digital capabilities for the benefit of our customers.

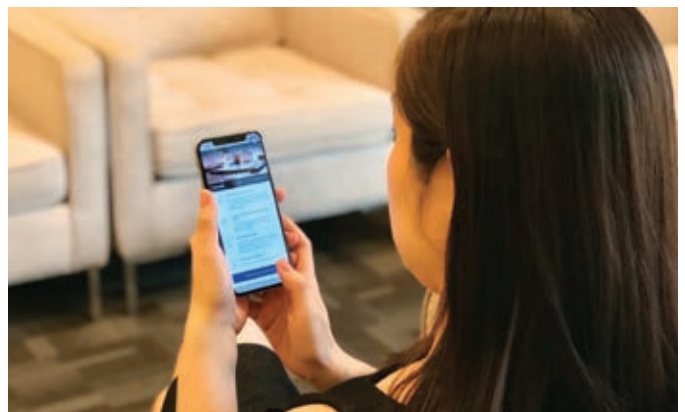
Speeding Up Account Opening

Opening a new account is often the first experience customers have with UOB and first impressions count. Given the importance of their first encounter with us, in 2018 we simplified and sped up the account opening process.

We were the first bank in Singapore to digitalise the whole application and approval process for all of our consumer banking products including deposit accounts, credit and debit cards, personal loans and secured loans such as car and home loans. This innovation did away with lengthy paper-based forms and enabled our customers to apply for and to open an account quickly. What used to take up to five working days now takes just 15 minutes.

Our digitally-savvy customers in Vietnam no longer have to visit a branch to open an account. Our mobile account opening service enables them to apply for their personal bank account through the UOB Mighty app on their smartphones. The time taken to open a bank account has been cut by an average of 80 per cent with the actual processing time reduced from 45 minutes to only 10 minutes.

More information on digital account openings can be found in the Group Retail section of this report.



Our customers in Vietnam can apply for their personal bank account through the UOB Mighty app without having to visit a branch.

Customers

Making UOB Mighty Mightier

With more of our customers managing so many aspects of their lives through their mobile phones, we enhanced our all-in-one banking, payment and lifestyle mobile app UOB Mighty with a digital foreign exchange solution.

Called Mighty FX, the solution enables our customers in Singapore to transact quickly in 11 major currencies without having to pay any currency conversion fees. Our customers can review current and historical rates and set alerts for their preferred rates to convert their funds automatically. This saves them from having to make trips to traditional money changers when buying and selling currencies. They can also use the funds to make online purchases from overseas merchants in local currencies, set aside the funds for their overseas trips at their preferred rate or build their foreign currency savings.

We extended the UOB Mighty Secure function to our customers in Malaysia to enable them to authenticate their personal internet and mobile banking transactions using their smartphone. The two-factor authentication process gives them more robust protection against fraudulent transactions. It also makes it more convenient for them as they would no longer need the one-time password to be sent to their mobile phone for every transaction.

More information on UOB Mighty can be found in the Group Retail section of this report.

Pushing the Boundaries of Mobile Payments

With the proliferation of domestic mobile payment options, UOB has taken a lead in testing cross-border funds transfers between mobile phones. Through our integrated regional technology network and payment infrastructure, we completed ASEAN's first cross-border, peer-to-peer funds transfer proof-of-concept between a UOB Singapore account and a UOB Thailand account linked to the account-holders' mobile phone numbers. Currently in ASEAN, such peer-to-peer funds transfer services are only available within a country. The test transactions drew on the capabilities we have built in UOB Mighty to ensure a seamless and instinctive experience for our customers.

Offering More Choices Through Islamic Banking

We continued to broaden our Islamic Banking business to provide our customers with greater choice in banking solutions. In 2018, we enhanced our Shariah-compliant product range with the Specific Investment Account. Through this facility, we are able to extend larger financing limits to our Corporate and Commercial Banking clients who want to fund their operations and expansion through Shariah-compliant forms of financing. To ensure we keep abreast of industry developments, we participated in established Islamic Banking trade exhibitions and conferences such as the 2018 Malaysia International Halal Showcase and the 2018 Global Islamic Finance Forum.

Serving the Region's Digital Generation

We believe in maintaining our customer relationships for the long term and over generations. As such, we prepare ourselves today for our customers of tomorrow. Across ASEAN, we are focusing our efforts on serving the growing base of mobile-first and mobile-only consumers who expect effortless and engaging digital experiences in almost every aspect of their lives.

Building the Digital Bank of Tomorrow

In 2018, to address the expectations and preferences of ASEAN's digital generation, we built for them the first mobile-only bank. TMRW – the fully digital bank for ASEAN's millennials, is designed to be intuitive, transparent and engaging, from account opening through to meeting their everyday lifestyle needs. Thailand's digital generation is the first to experience TMRW, with launches in other ASEAN markets to come.

The data-centric model of our Digital Bank enables us to learn from frequent customer interaction such that over time, we will be able to personalise the experience to each customer's own preferences and behaviours.

To anticipate our customers' needs and to enhance their banking experience, we set up Southeast Asia's first dedicated Engagement Lab (eLab). Through insights drawn from transactional data, the eLab will design, test and trial new ways to encourage our customers to save and to spend more wisely.

TMRW is powered by our digital technology innovations. Complementing our in-house capabilities are our collaborations with financial technology (FinTech) partners. These include our joint venture with PINTEC, Avatec.ai, for more efficient and accurate credit assessment of potential customers, including those who are new to credit; Personetics, a leader in artificial intelligence and cognitive analytics, to draw deeper insights from our transaction data to help our customers make better financial decisions; and Meniga, a global leader in digital banking solutions, to run our advanced data enrichment and categorisation capability to enable us to understand our customers' needs better.



TMRW's interface is designed to help ASEAN's digital generation with better money management skills.

Playing a Different Game

For youth and millennials to make in-app, online and point-of-sale purchases in Singapore, we are working with gaming company, Razer Inc (Razer), to launch an e-wallet, Razer Pay. UOB will provide Razer with a comprehensive suite of payment and cash management solutions, as well as our digital foreign exchange solution for users to secure competitive foreign exchange rates to pay for their in-app purchases.

Supporting Businesses Across All Stages of Growth

We understand the ambitions of start-ups and businesses, large and small. We also appreciate the practical realities and challenges they face in running and growing their businesses. As these businesses develop and scale their operations, we complement the banking services we offer them with business advisory, industry insights, digital solutions and connections to ecosystem partners essential for building sustainable businesses.

Boosting Business Efficiency with UOB BizSmart

With small businesses playing a crucial role in the growth of ASEAN economies, it is important that their businesses are run as efficiently as possible. Our cloud-based integrated digital solution, UOB BizSmart, helps them to be more effective in managing their administrative processes such as accounting, payroll and inventory management.

In 2018, we extended UOB BizSmart to small businesses in Malaysia and Thailand. It is known as UOB SmartBusiness in Malaysia. Since the launch of UOB BizSmart in 2016, we have helped more than 7,000 small businesses across the region to automate their administrative processes for enhanced productivity and operational efficiency.

In Singapore, we integrated a digital procurement platform called EzyProcure into UOB BizSmart to help small businesses in the food and beverage (F&B) sector to purchase and to pay for their goods quickly and easily. As the entire supplier management process is digitalised, F&B operators are able to view their transaction data in real time and to understand their purchasing patterns better.

More information on UOB BizSmart can be found in the Group Retail section of this report.



We upsized UOB BizSmart with EzyProcure to help F&B businesses to be more productive.

Accelerating Business Innovation

We also provide guidance, resources and mentorship to help small- and medium-sized enterprises (SMEs) digitalise their operations and realise their growth potential. In 2018, The FinLab – an innovation accelerator by UOB – launched its Smart Business Transformation Programme in Singapore to help 11 SMEs develop and deepen their digital capabilities. Through The FinLab, these SMEs will be able to connect with our ecosystem of partners to transform their business digitally. They will also be able to use what they have learnt to improve their business performance, to enhance their customer experience and to seize business opportunities in the digital economy. The Smart Business Transformation programme has expanded to Thailand with the first batch of Thai SMEs joining the programme in 2019.



FinTech and SME participants explored technology solutions together at a Lab Crawl organised by The FinLab.

Customers

Advancing ASEAN's Start-up Community

The rise of FinTech firms in Asia continues apace. In 2018, funding for FinTech firms in Asia attracted more than US\$21 billion¹, second only to North America. To help FinTech firms seize upon such investor interest, we published a white paper titled *FinTech in ASEAN: The Next Wave of Growth* in collaboration with the Singapore FinTech Association. We are also an active participant in the development of ASEAN's start-up community through activities such as our sponsorship of the Singapore Fintech Festival, involvement in the Experts in Residence programme by co-working space provider 8ORR FinTech Hub SG and our ongoing support of The FinLab.

With managing costs being a critical element of building a business, we partner co-working space providers to provide preferential rental rates to our start-up and SME customers. During the year, we signed Memoranda of Understanding (MOUs) with co-working space providers in China, Indonesia, Malaysia, Singapore, Thailand and Vietnam. Through these MOUs, our customers can set up their cross-border operations in a fast, flexible and cost-effective way.



We help our start-up and SME customers to obtain preferential rental rates from co-working space providers such as JustCo in Thailand.

Knowing You Personally

We appreciate that our customers prefer different service options when managing their financial needs. This insight underpins our omni-channel approach where we offer customers choice in how they engage with us – be it in the physical or digital worlds, or a combination of both.

Providing a Seamless Omni-Channel Experience

To ensure our customers can choose where and how they bank with us, we have a comprehensive global network of more than 500 branches and offices, nearly one million automated teller

machines (ATMs) including shared ATMs, and cash deposit, coin and cheque machines. These are in addition to our mobile and internet banking channels which enable our customers to bank anytime and anywhere.

For our growing base of mobile-first customers in Singapore, we are increasing our network of Near Field Communication (NFC) contactless ATMs where cash withdrawal can be made with a simple tap of their phone. In 2018, we added 112 NFC contactless ATMs in Singapore, bringing the total number of NFC contactless ATMs across the island to 382. These ATMs make up 60 per cent of our ATM network.

Serving Our Customers as They Wish

Through understanding the lifestyle needs of families, young professionals and affluent consumers in Singapore, we launched two different branch concepts with the design and layout configured to enhance their banking experience.

In Tampines, our new branch concept is set to suit the needs of the increasing number of young professionals and young families setting up home in the area. These digitally-savvy customers generally bank through digital channels or self-service machines and visit our branches for more personalised financial advisory. As such, we removed the traditional teller counters and created spaces for them to hold private conversations about their financial aspirations. The branch also has a QR code wall where customers can use their smartphones to scan the QR codes for information that interests them. To delight the children of our customers, a robot named Charlie makes its rounds serving treats from the ice-cream parlour adjoining the branch.



Delighting our customers and their families with ice-cream delivery by our friendly service robot, Charlie, at our new branch at Tampines 1 mall in Singapore.

¹ Source: Tracxn, data reported as at 26 October 2018

At Faber House on Orchard Road, our new Wealth Banking experience is designed to guide emerging affluent customers in growing their wealth through investments. Using artificial intelligence and data analytics, we create a personalised experience for customers from the moment they step into the branch. This experience includes a digital advisory service – the first time such a service has been provided for emerging affluent consumers by a Singapore bank – as well as spaces where they can conduct private conversations with relationship managers.

We also launched a wealth management concept branch in Bangsar, an affluent residential suburb in Kuala Lumpur, and three branch concepts in Thailand with improved design and layout to enhance the banking experience for different customer segments.

Knowing that time is precious for our customers, we introduced an SMS-Q system where customers can send a message through their mobile phone to receive a queue number for the branch they plan to visit. They are then notified when to show up, removing the need to queue at the branch. We also have an online appointment service for those needing to open a business account. This makes the account opening process more efficient for business owners for whom time is money.

More information on our new branch concepts can be found in the Group Retail section of the report.

Enabling Intuitive Customer Experiences

We make banking more accessible to our customers by extending our banking touchpoints through partnerships to areas that intersect with our customers' lifestyles.

For transit, we collaborated with Singapore-based technology company Grab – a leading ride-hailing platform in Southeast Asia – to deliver financial services to Grab's user base across the region. Grab will tap our cash management services so that customers can easily top up their GrabPay wallet directly from their bank account. Features of our Digital Bank will be embedded within Grab's mobile app so users can access banking services quickly and conveniently.



We announced our strategic alliance with Grab at the Singapore FinTech Festival.

To transform the car-buying journey for consumers, we brought together seven dealerships island-wide and a leading mobile and online classifieds marketplace to offer car buyers a completely-digital car financing solution. Fuelled by our credit processing engine, a secure link to MyInfo and the Credit Bureau Singapore, our digital solution shortens the loan processing process from an average of three working days to 15 minutes.

From travel to home ownership, we have made the experience swift, simple and seamless for our customers. We formed a property ecosystem with four top property agencies and a property technology company in Singapore to help customers search for their dream home more easily. With our partners, we launched a digital home loan solution for prospective home buyers to receive bank-backed property valuations, a "banker and buyer" matching service and online instant home loan approval. Our digital solution will also enable housing agents to guide home buyers, from finding to financing their dream home.

More information on our property and car ecosystem partnerships can be found in the Group Retail section of this report.

Setting the Standard for Customer Service

As individuals and teams, we strive to set new standards in the quality of service we provide our customers. We do not rest on our laurels but are heartened when our efforts are acknowledged with industry accolades. It only inspires us to do more in fulfilling our commitments to our customers.

In 2018, a total of 1,256 UOB colleagues in Singapore were recognised for their service excellence at The Association of Banks in Singapore's (ABS) Excellent Service Award (EXSA). Among our winners, 842 received the Star Award, the highest tier of the awards. This was the 12th consecutive year where our colleagues won EXSA awards.

Our Contact Centre colleagues across the Group were also recognised for their dedication to providing our customers excellent service.

In Singapore, our Contact Centre colleagues won multiple awards at the Contact Centre Association of Singapore Awards:

- Best Contact Centre Team Leader of the Year (Gold) – Individual Category
- Best Contact Centre Team Leader of the Year (Silver) – Individual Category
- Best Contact Centre Quality Assurance Specialist (Bronze) – Individual Category
- Customer Experience Mystery Shopper Awards (Silver) – Corporate Category

Customers

In Indonesia, our Contact Centre colleagues won two awards at the Contact Center Service Excellence Award 2018 organised by *Service Excellence Magazine* and Carre-Centre for Customer Satisfaction Loyalty:

- Exceptional Service for Regular Banking
- Exceptional Service for Regular Credit Card

Being There When It Matters

Keeping Customer Data and Privacy Protected

Protecting our customers' personal data and privacy is a priority to us and essential to maintaining their trust in us. We have extensive policies and processes in place to ensure the confidentiality and security of their information. We are also committed to complying with the Personal Data Protection Act of Singapore and to upholding industry best practices.

The main principles of our Personal Data Protection Policy are:

- personal data must only be collected and used for purposes for which the customer has been notified and has consented to, or are permitted by law;
- access and disclosure are strictly on a need-to-know basis;
- the integrity and security of personal data are paramount; and
- personal data that is no longer required for legal or business purposes must be destroyed securely in accordance with document retention policies.

With rising international data privacy standards, we conduct regular reviews to ensure our systems are robust. Data privacy impact assessments are integral to our business and product development process, to ensure that data protection is embedded into the services we provide and into every aspect of our operations.

We have in place data breach, complaint handling and escalation processes. Group Operational Risk Management and the Data Protection Office review any incidents and the corresponding action plans developed by the business and support units. Significant incidents are escalated to relevant senior management committees.

Line data protection officers at functional and business levels in Singapore and locally-appointed officers at overseas locations ensure that data is safeguarded. These officers report to the Franchise Data Protection Officers in Singapore, who in turn report to the Group CEO. Our data protection officers ensure compliance with local regulations and Group requirements and assist in investigating alleged breaches. Every year, our people undergo online training on the principles, policies and procedures for data privacy and security.

We respect our customers' marketing preferences and ensure we record their consent to receive telemarketing calls. Withdrawal of consent is also free of hassle. We also facilitate our customers' requests to access and to correct their personal data through various channels such as mail, email or at our branches.

Information on our approach to privacy and data protection and contact details for our Data Protection Officers are available on our website. Our UOB Privacy Notice is also available online and at all branches in Singapore.

In 2018, there were no legal proceedings taken against UOB in respect of any data privacy breach, nor any fine or other penalty imposed on the Bank by the Singapore Personal Data Protection Commission.

Enhancing Cybersecurity

At UOB, we use technology to provide borderless, reliable and efficient service, and are committed to protecting our customers' and the Bank's data and assets from cybersecurity threats. We maintain the robustness of our risk management systems and have in place the Group Technology Risk Management Framework and IT Security Management Policy that outline our cybersecurity policies, guidelines and tools to protect our data and assets. The Group Technology Risk Management Framework also incorporates comprehensive control requirements set out by the Monetary Authority of Singapore in its Technology Risk Management Guidelines.

Our team of dedicated Security Operations Centre specialists monitor, detect and respond to potential cybersecurity risks and threats. We also continually upgrade our security capabilities to respond to the evolving threat landscape by partnering leading cybersecurity providers and expanding our security technology.

Recognising that everyone plays a role in cybersecurity defence, we regularly train our people on cybersecurity risks. We also hold cybersecurity activities to raise awareness and to test our people's vigilance. We keep our people informed of developments and share best practices with them through our intranet, MyUOB.

We collaborated with ABS and participated in the Financial Services – Information Sharing and Analysis Center to share with our industry peers potential threats and best practices to strengthen our collective defence against cyber attacks.

To raise our customers' awareness of cybersecurity so they can also help protect themselves from cyber attacks, we provide them with regular updates on cybersecurity tips and threats via our website, social media channels, electronic mailers, text messages and mobile apps. In addition, our UOB BIBPlus customers can download security software to improve the security of their online banking experience.

Through these efforts, we contribute to the security and stability of the financial system and trust in the banking environment.



Our people from many cultures are united in our culture of doing what is right for our customers.

Caring for Our Customers

The UOB Customer Commitments Awards campaigns which are run Group-wide, remind us of our responsibility to our customers whether we are in customer-facing roles or not. The annual campaign culminates in the UOB Customer Commitments Awards ceremony to acknowledge our colleagues who had been exemplary

in fulfilling our customer commitments. 2018 was the campaign's third year for which 6,552 nominations for awards were received from across the Group. Of these, 90 individuals and 35 teams won awards for being role models in demonstrating our customer commitments in their daily decisions and actions.

More information on the UOB Customer Commitments Awards can be found in the Colleagues section of this report.

Customers

Sharing Our Commitment to Customers

"I believe that service must come from our hearts so that customers can sense our sincerity. It is not what we say but how we act that matters."

Ms Leaf Wang Di Hong
UOB (China)



"I believe teamwork is the key to serving our customers better. We need to put ourselves in their shoes and to understand their perspectives when helping them."

Mr Zhang Yi
UOB (China)



"I am proud to be part of the UOB family. I constantly remind myself the importance of our UOB values when serving customers."

Ms Anna Christina Tejo
UOB (Indonesia)



"I always serve customers with care and empathy. I would like customers to sense my sincerity and to choose UOB as their preferred bank."

Ms Renata Praja Pradipa
UOB (Indonesia)



"I believe in being there when it matters for the customer. My personal inspiration comes from the movie Pay It Forward – 'to serve it forward' always."

Ms Lee Swee Mee
UOB (Malaysia)



"I see customer service as more than a transaction. I work towards building meaningful relationships by providing timely and personalised service for every customer."

Ms Tham Kar Ling
UOB (Malaysia)



"I believe that there is no traffic jam along the extra mile. I constantly learn and strive to look for the best solutions for my customers."

Mr Gary Lee Jun Rui
UOB in Singapore



"I believe that working as a team helps us to achieve service excellence. I am motivated to give my best to customers and to treat them with sincerity, humility and passion."

Ms Rahizon Haron June
UOB in Singapore



"I listen attentively to my customers to understand their needs better. I am committed to providing customers with quality service that exceeds their expectations."

Ms Rossukon Boonchuam
UOB (Thai)



"I am committed to upholding UOB's reputation. If customers recognise our good service, they will recommend our Bank to their family and friends."

Mr Tanai Chuerchanrob
UOB (Thai)



Group Retail

Group Retail provides Personal and Business Banking customers with financial solutions essential for them to achieve their financial goals and aspirations. Our products and services include deposits, insurance, secured and unsecured loans, investment, treasury and wealth advisory services. We also provide our Business Banking customers with cash management and trade financing solutions to help them manage their business and to support their growth ambitions. Our customers can easily access our services across our global network of branches, self-service machines, automated teller machines (ATMs), and internet and mobile banking platforms.

2018 Highlights

- Increased total income by four per cent year on year, driven by healthy volume growth and deposit margin improvement;
- Continued to harness technology to make banking simpler, safer and smarter for consumers with the launch of:
 - ▶ Digital application processes in Singapore for a range of products, such as deposit accounts, cards and loans;
 - ▶ Mighty FX, which enables customers in Singapore to trade and to transact quickly and conveniently in major currencies;
 - ▶ UOB Mighty Secure, a digital security token function embedded on the UOB Mighty mobile banking app for customers in Singapore and Malaysia; and
 - ▶ Cashless payment options via WeChat Pay and DuitNow for customers in Malaysia.
- Established strategic partner ecosystems in Singapore to offer financial solutions essential to consumers' lifestyles:
 - ▶ Largest car and property ecosystems that make car and home financing and purchasing swifter and surer for customers;
 - ▶ Widest network tie-up with electricity retailers to help customers find the most suitable electricity plan; and
 - ▶ First online travel portal by a bank in Southeast Asia that provides a one-stop solution for customers to search, to plan and to book their holidays.
- Enhanced our deposit account and card offerings to ensure that we stay relevant to our customers' financial and lifestyle needs:
 - ▶ Refreshed the UOB One Account in Singapore for more customers to benefit from better yield on their deposits and when they make payments or credit their salary into the account;
 - ▶ Launched the UOB Visa Infinite Metal Card in Singapore, Malaysia and Thailand to offer exclusive privileges to affluent travellers in the region; and
 - ▶ Launched the UOB YOLO card in Indonesia to help millennials stretch their dollar on their top lifestyle expenses.
- Piloted branch service models in Malaysia, Singapore and Thailand to enhance the banking experience and to focus on the wealth management needs of our customers; and
- Launched UOB BizSmart in Malaysia and Thailand to support small businesses in their digital transformation.

2018 Performance

Group Retail's revenue rose four per cent in 2018, on the back of muted market sentiment that affected non-interest income. We maintained our focus on creating financial solutions to serve the needs of our customers, from millennials and the rising middle class in Asia to small businesses driving the region's growth. While we continued to invest in technology to drive performance, to enhance our product capabilities and to build our digital banking services, we stayed prudent in our expenses and achieved a cost-to-income ratio of 49 per cent. Our return on risk-weighted assets for 2018 also improved 40 basis points year on year to 5.17 per cent.

In our Personal Financial Services business, we continued to see steady growth in our deposits through our current and savings accounts, as well as active card use across the region. Our flagship products, including the UOB One Account which is offered across our key regional markets, and the UOB Stash Account and KrisFlyer UOB Account in Singapore were the main contributors to the five per cent increase in deposits. We also registered a four per cent year-on-year growth in loans, attributed to ongoing customer engagement and the launch of new loan solutions, such as the digital home and car loan solutions in Singapore.

For wealth management, comprising our Privilege Banking, Privilege Reserve and Private Bank businesses, our total assets under management (AUM) were \$111 billion as at 31 December 2018, up seven per cent compared with the year before.

Our Business Banking business also performed well in 2018 as we remained focused on helping small businesses achieve improved operational efficiency through digital transformation. We posted strong growth of 14 per cent in operating profit, about one-third of which was contributed by Indonesia, Malaysia and Thailand. For the year, our deposits also saw greater growth of eight per cent.

Outlook

To remain relevant to the changing financial and lifestyle needs of our customers, we will continue to enhance our product and service offerings, using technology to turn ideas into meaningful and distinctive experiences for them. Our omni-channel approach and the ongoing integration of our digital and physical channels will enable us to engage our customers across all segments more effectively.

Drawing on our insightful data and understanding of our customers' banking preferences, lifestyles and life stages, we will also continue to collaborate with our ecosystem partners to integrate intuitive banking solutions into how our customers live, play and work.

With Southeast Asia increasingly embracing cashless payments, we will deepen our digital banking capabilities to offer more seamless solutions for the benefit of our customers. In doing so, we will wrap the speed, convenience and security of every digital experience in the warmth of the human touch.

Through our new Digital Bank, TMRW, we will step up our engagement with Southeast Asia's growing consumer base of mobile-first and mobile-only consumers, beginning in Thailand and thereafter across the region.

As we focus on developing and maintaining lasting relationships with our customers, we remain committed to helping them build and safeguard their wealth through our Risk-First wealth advisory approach. This ensures that they will meet their core financial goals without taking on excessive risks.

As the trusted adviser to our Business Banking customers, we will continue to offer integrated solutions that meet their banking and business needs.

Personal Financial Services

Harnessing Technology to Make Banking Simpler, Smarter and Safer

In 2018, we continued to deepen our digital capabilities to create distinctive banking experiences for our customers. We harnessed technologies such as artificial intelligence (AI), machine learning and data analytics to draw insights from transaction data, enhancing our understanding of customers and our ability to recommend the most appropriate product and service at the right time.

In Singapore, we were the first bank to digitalise the application and approval process for products, including deposit accounts, credit and debit cards, personal loans and secured loans such as car and home loans. The process taps MyInfo, a government service that enables citizens and residents to manage the use of their personal data for simpler online applications, and removes the need for customers to submit multiple paper copies of documents. We also built a secure connection to the Credit Bureau Singapore and our proprietary credit assessment engine to facilitate an instant decision on applications. This means that customers can apply for and open an account in less than 15 minutes, instead of up to five days which the process used to take.

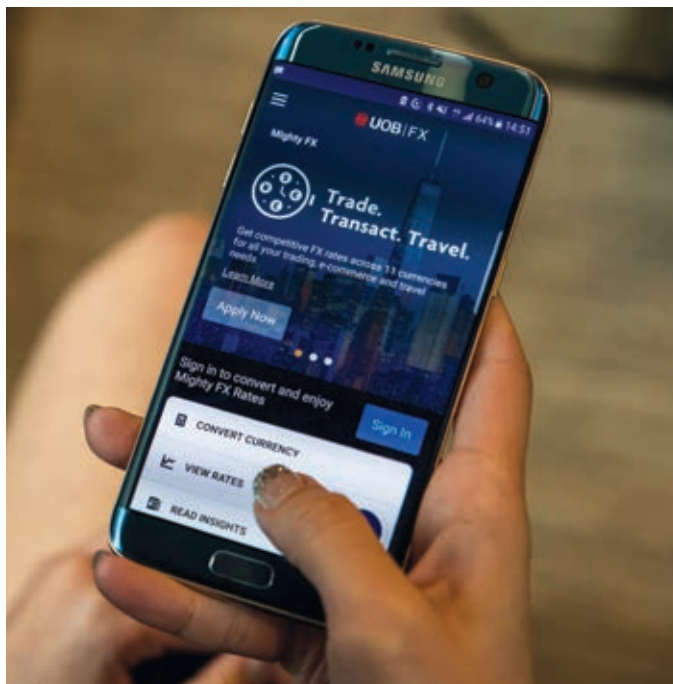
Our customers can also use our digital account opening service in Vietnam, where UOB was the first Singapore bank to establish a subsidiary bank. Consumers in Vietnam can simply download our mobile banking app, UOB Mighty, and provide the necessary information required to open a bank account. To finalise the process, our associate will visit the customer at their convenience for the regulation-required, face-to-face verification and to provide the customer with their account details. This mobile account opening service, which saves consumers up to 80 per cent of the average time taken to open an account, was awarded the Online Banking Initiative of the Year, Vietnam at the

Group Retail

Asian Banking & Finance Retail Banking Awards 2018. The award was in recognition of our efforts to create a frictionless digital experience to meet the needs of the country's digitally-savvy population.

In China, our UOB Direct Banking mobile app also enables our customers to open a bank account, to manage their finances and to make investments digitally.

For the online shoppers and international travellers among our customers, we launched Mighty FX in Singapore for them to trade and to transact quickly and conveniently in 11 major currencies without having to pay any currency conversion fees. With Mighty FX, which is embedded in our all-in-one UOB Mighty app, our customers can review current and historical rates and choose to set alerts for their preferred rates to make a conversion. This makes it more convenient for them to make online purchases from overseas merchants, to set aside foreign currencies for their holidays overseas or to use the account to help build up their foreign currency savings. It is offered to customers with the UOB One Account, KrisFlyer UOB Account, UOB i-Account, UOB Wealth Premium Account or UOB Privilege Account.



UOB Mighty FX is popular among our customers for changing currencies in real time or for setting alerts to convert the currencies at a rate they prefer.

Another feature in our mobile banking app is UOB Mighty Secure, a digital security token function which enables our customers to authenticate their internet and mobile banking transactions. This service, first launched in Singapore in 2016, was made available to our customers in Malaysia in 2018. Using UOB Mighty Secure, customers can transact from anywhere. As long as they have access to the internet, they will be able to receive their security

token via their UOB Mighty app. This is more convenient than receiving a SMS One-Time-Password that is dependent on a mobile network service. The digital security token also suits consumers who use their smartphones more frequently and regularly to bank and to make payments.

As a leader in payments across the region, we continue to create and to offer our customers innovative payment options in support of their country's cashless initiatives. For example, in Malaysia we enabled on UOB Mighty, DuitNow, which is a digital payment facility by Payments Network Malaysia. DuitNow enables consumers to transfer funds conveniently and securely to individuals or businesses by using their mobile phone numbers, national registration identity card or business registration numbers. Our customers in Malaysia can also use their UOB debit cards to top up their e-wallet on WeChat Pay, a major mobile service payment provider that has expanded its service from China into Malaysia.

In addition, we were the first foreign bank in China to enable UnionPay's Quick Response (QR) code mobile payments when we integrated the feature into our UOB Direct Banking mobile app. Our customers can make payments easily to merchants in China and in close to 20 other countries including Singapore and Thailand.

To encourage greater use of cashless payments in Singapore, we participated in the Infocommunications Media Development Authority (IMDA)'s e-Payment Learning Journey initiative to help seniors benefit from the ease of mobile payments. Our colleagues helped the silver generation to download UOB Mighty and guided them on using PayNow and the Scan QR feature on the mobile app to make fund transfers and payments.

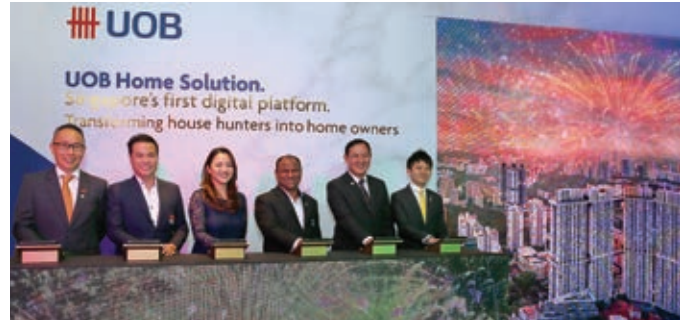
Tapping Partner Ecosystems to Meet Consumers' Lifestyle and Financial Needs

With our customers' interests at the heart of all that we do, we seek to create solutions that help them manage their daily and future needs, however simple or complex. One of the ways we do this is by establishing and tapping the benefits of partner ecosystems to offer solutions that address the pain points faced by consumers in their different life stages.

In 2018, we teamed up with seven car dealers – Cycle & Carriage Singapore, Inchcape Singapore, Motor Image Enterprises, Performance Premium Selection Limited, Premium Automobiles, Tan Chong Motor Sales and Trans Eurokars – and mobile and online classified marketplace, Carousell, to set up Singapore's largest car ecosystem. In conjunction with this collaboration, we also launched the first-in-market, fully-digital car loan solution, fuelled by our credit processing engine, and a secure link to MyInfo and the Credit Bureau Singapore. This removes the need for manual form filling, the furnishing of paper documents and long processing times. Instead of an average of three working days taken for customers to have their car loan application approved, the solution takes only 15 minutes.



UOB's car ecosystem offers consumers a simpler, smarter and speedier route for car loan applications and purchases.



We designed our digital home loan solution to transform the home buying experience.

The seamless experience we created for our customers was recognised when we won the Best New Product Launch, Outstanding Customer Service Transformation and Outstanding Client Onboard and Account Opening (Highly Acclaimed) awards at *The Digital Banker's* Global Retail Banking Innovation Awards 2018.

Recognising that more people were turning to online tools and solutions in search of their dream home, we also transformed the home buying experience for our customers in Singapore. During the year, we established the largest property ecosystem, comprising the four top property agencies – ERA Realty, Huttons Asia, OrangeTee & Tie and PropNex Realty – as well as property technology company, SoReal Prop. With our partners, we launched our digital home loan solution, including Singapore's first bank-backed property valuation tool, a banker and buyer matching service and an online instant home loan approval service to help home buyers find and fund their preferred property more efficiently.

The digital property valuation tool is a service available on our website or through our partners' mobile apps. It offers customers an instant and reliable property valuation that will be used for their home loan application. Our banker and buyer matching service, GetBanker, enables property agents to connect prospective home buyers to the right banker quickly based on factors such as the type of property, property zoning cluster, price and the preferred language spoken by the customer. The agent is also able to rate the banker's service thereafter and to add this banker as a favourite banker for future reference. Fully integrated with MyInfo and linked to real-time information from the Credit Bureau Singapore, our digital home loan solution enables customers to submit and to receive approval for their application within minutes.

With the opening up of the retail electricity market in Singapore in 2018, we made it more convenient for our customers to select the electricity plan most appropriate for them through our tie-up with the country's widest network of electricity retailers. They include Diamond Electric, Geneco, iSwitch, Keppel Electric, Pacific Light, Sembcorp, Senoko Energy and Sunseap.

Our one-stop online portal hosts a recommendation tool to help customers determine an electricity plan that best suits their needs, including the estimated savings they may receive from our partner's services.

For avid travellers, The Travel Insider, the first online travel portal by a bank in Southeast Asia, was designed as an end-to-end solution for our customers to search, to choose, to plan and to book their holidays easily. In collaboration with UOB Travel Planners and leading companies from the airline, hospitality and travel industries, we offer insider travel tips, proposed itineraries and competitive hotel, flight and tour deals. We tap the application programming interfaces of our partners – Agoda and Expedia – to draw the best options from more than a million hotel and flight possibilities. Travellers can also create and save their own itinerary, share it with their travel companions who in turn can give comments and suggest their own preferences for the holiday.

Enhancing Our Products to Help Our Customers Save and Spend Wisely

In 2018 we enhanced our suite of deposit and card products to help our customers extract greater value from their savings.

For example, we refreshed our flagship UOB One Account in Singapore to provide customers with enhanced yield of up to 3.88 per cent per annum on their savings when they spend and transact through the account. We also offer the UOB One Account in Indonesia, Malaysia and Thailand to enable our customers to earn more on their deposits when they transact through this account.

Another popular saving account in Singapore, the UOB Stash Account, gives customers bonus interest when they maintain or increase their monthly average savings balance. The product received the Best Savings Plan Offering award at the *Retail Banker International Asia Trailblazer Awards 2018*.

With travel being a consistent favourite among our customers' activities, the KrisFlyer UOB Debit Card and Account was designed to reward customers with frequent flyer miles for

Group Retail

their savings and spending. With this account, customers can earn miles on their deposits and debit card expenses, and make payments in or convert to major foreign currencies conveniently at their preferred rates. The KrisFlyer UOB Debit Card and Account, which was launched in 2017, was named Best Debit Card Product for Asia Pacific at the Cards & Electronic Payments International Asia Awards 2018 and Best Payment Innovation at *The Digital Banker's* Global Retail Banking Innovation Summit & Awards 2018.

As travel is also a priority for many of our affluent customers in the region, we launched the UOB Visa Infinite Metal Card in Singapore, Malaysia and Thailand, offering exclusive travel, dining and birthday privileges.

In Indonesia, we launched the UOB YOLO card in 2018 to meet the lifestyle demands of millennials by helping them stretch their dollar with privileges such as zero interest on instalment plans for travel spend and daily deals on dining, online shopping and movie tickets. Used by more than 150,000 customers across Singapore, Malaysia and Indonesia, the UOB YOLO card features Southeast Asia's first 'quick read' design, making it easier for our customers to read the card number when conducting online transactions.

In Thailand, our collaboration with CenPay, Central Group Thailand's bill payment service provider, enables our customers to make their UOB credit card and CashPlus bill payments at any CenPay-enabled cashier location at more than 1,800 retail outlets across the country.



Through our collaboration with CenPay, our customers in Thailand can now make bill payments at any CenPay-enabled cashier location across the country.

Enabling Our Customers to Achieve Their Financial Goals the Way They Prefer

Just as we are committed to offering products and services that are relevant to our customers, we are also focused on engaging them in their preferred manner. Recognising that our customers are increasingly using digital or self-service channels for their banking needs and turning to the branch for financial advisory, we designed new branch models with reconfigured layouts to create better banking experiences.

We launched in Singapore a branch model for young professionals and young families at Tampines 1, a shopping mall next to a mass rapid transit station and with high foot traffic. The area was chosen as we expect more young professionals and young families to set up home there. We considered the preferences of this customer segment for more personalised advisory services and removed traditional teller counters to create more space for our customers to hold private conversations about their financial aspirations. The branch also has a QR code wall where customers can use their smartphones to scan a QR code that directs them to information that interests them, as well as five self-service banking machines that are accessible at any time of the day.



Our branch at Tampines 1 in Singapore focuses on meeting the financial needs of young professionals and young families.

For our emerging affluent customers, our high street Wealth Banking branch model launched at Orchard Road, Singapore's famous shopping belt, offers them a personalised banking experience through the use of AI and data analytics. Our customers simply need to scan their identification card at the self-help ticketing kiosk and within seconds they will receive information on relevant financial solutions that could be of interest to them, as well as an eQueue number on their mobile phone.

Our relationship managers are also equipped with a purpose-built digital investment advisory platform to provide deeper insights into building an investment portfolio to meet the customer's wealth goals. Known as the UOB Portfolio Advisory Tools, this is the first such digital service offered specifically to emerging affluent consumers by a Singapore bank. The service is built upon our Risk-First wealth advisory approach to help our customers safeguard and build their assets, according to their risk tolerance and appetite, before they take on more risks through tactical investments.

We also launched a wealth management branch concept in Bangsar, one of the most affluent residential suburbs in Kuala Lumpur, Malaysia's capital. At this branch equipped with dedicated spaces for advisory conversations, our accredited wealth advisers will advise customers on growing their wealth through our Risk-First wealth advisory approach.

A similar wealth management branch concept, with wealth and privilege banking centres under one roof, was implemented when we relocated our branch in Kuching, Sarawak to iCom Square, which is situated in a vibrant commercial centre.

In Bangkok, Thailand, we also piloted three branch concepts at Central Festival EastVille, 101 The Third Place as well as ICONSIAM to meet the lifestyle preferences and financial needs of families, young professionals and entrepreneurs, as well as the affluent and business owners respectively.

As more affluent customers in China seek opportunities to diversify their investments, we offer them a range of competitive onshore investments as well as solutions that provide exposure to overseas securities through the Qualified Domestic Institutional Investor scheme. Our customers can gain access to global asset managers' funds and structured products to capitalise on the price movements of underlying equities from different stock markets globally.

In ensuring that our client advisers and relationship managers are competent to provide quality and timely advice and recommendations, we are committed to training our people continually. For instance in 2018, the first cohort of the UOB-Asian Banking School Wealth Advisory Certification Programme graduated from Malaysia's first wealth management programme focused on equipping bankers with wealth advisory skills. The programme was accredited by the Melbourne Business School, the graduate business school at the University of Melbourne.

Private Bank

Growing and Preserving Wealth for the Next Generation

At UOB Private Bank, we harness UOB's one-bank approach to offer investment products and services that meet the personal and business financial objectives of high-net-worth individuals with \$5 million and above of investable assets.

Our investment philosophy and approach are guided by sound principles that lead our clients toward their long-term investment goals, with a focus on value, quality and diversification.

In 2018, we continued to focus on our discretionary portfolio management (DPM) services, through which we offer five DPM strategies to match various risk profiles, as well as provide customised investment solutions for our clients. Our DPM services are popular with clients too busy managing their own businesses to follow markets closely, as well as those who prefer

to let investment professionals make the day-to-day investment decisions on their behalf. As a result of our ongoing efforts, our DPM AUM registered double-digit growth year on year.

On the product front, our investment team continued to create innovative investment solutions for our clients. We stayed close to our clients, engaging them through programmes such as investment forums in Bangkok, Jakarta, Kuala Lumpur, Manila, Shanghai and Singapore to share insights into global market trends and relevant investment strategies.

We also expanded our regional presence, including setting up a booking centre in Hong Kong in the second half of the year and growing our talent pool to ensure that we are well-equipped to maintain high standards of services. As part of our three-year digitalisation programme, which was in its second year in 2018, we rolled out RM Workbench, a tool to help our bankers be more effective in engaging and advising our clients.

To support the next generation of our clients, in 2018 we started to offer internships in the technology and start-up industries through The FinLab and OurCrowd. The FinLab is an innovation accelerator under UOB that runs programmes to help technology start-ups grow and small- and medium-sized enterprises (SMEs) with their digital transformation. OurCrowd is an equity crowdfunding platform that supports innovative start-ups and SMEs by connecting them to alternative financing options.

Despite a challenging market environment in 2018, we achieved healthy growth in revenue and asset base, attributed to our relentless focus on deepening our client relationships and our effective ongoing collaboration with Group Wholesale Banking.

During the year, we received the Best Private Bank – Investment Management Platform award at the *WealthBriefingAsia* Awards 2018. We were also awarded Gold for Risk and Compliance and Risk Profiling, and Silver for Investment Team of the Year and Investment Advisory Services at the Benchmark Private Wealth Awards.

Business Banking

Supporting Small Businesses in Their Digital Transformation

Business Banking is dedicated to helping small businesses manage their operations more efficiently so they can achieve productivity and progress through the different stages of their growth. In this regard, we provide a range of products and services to support small businesses in their digital transformation and to help them succeed in the digital economy.

In 2018, we conducted monthly digital clinics for our customers in Singapore during which they learnt how to use technology to improve their processes and received practical, one-on-one guidance from experts on the implementation of digital solutions into their operations.

Group Retail

One such digital solution is UOB BizSmart, a suite of cloud-based integrated solutions that enables small businesses to automate key operating processes such as accounting, inventory management, employee management and information security. Small businesses can also link their UOB BizSmart account to their UOB bank account to enable the automated reconciliation of transactions such as purchase orders to suppliers and daily takings with their bank account statement. This in turn enables them to free up more resources to focus on other parts of their business.

To provide greater convenience to our customers, in 2018 we collaborated with Enterpryze, a technology start-up, to enable our customers to access UOB BizSmart on their mobile devices.

“As a business owner, I am constantly on the go, negotiating new deals, meeting customers or participating at industry events. These activities keep me out of the office for long hours which results in me heading back to the office late in the day to catch up on the day’s activities. Since using UOB BizSmart, I can now monitor our accounts, invoices and inventory levels, and even approve staff expenses without needing to be in the office. This has helped me free up valuable time that I can use to focus on growing the business.”

Mr Syed Fakhru Islam
Director, Utiliqo Pte Ltd.

In Singapore, UOB BizSmart is one of the pre-approved solutions offered in the Start Digital Pack under the SMEs Go Digital initiative by the IMDA. The programme is designed to lower the digitalisation cost for small businesses with the Government funding up to 70 per cent of the total cost.

We also worked with NTUC U SME, a Singapore Labour Movement initiative, to make UOB BizSmart available to 16,000 SMEs under the U SME network. With NTUC, we also organised monthly consultation workshops with business process consultants to help these companies understand how they can use UOB BizSmart to improve their processes and to receive practical guidance in implementing the solution.

In addition, small businesses in the food and beverage (F&B) sector can use EzyProcure, a digital procurement platform integrated into UOB BizSmart, to purchase and to pay for their goods quickly and easily. Through this solution, purchase records are integrated with the accounting and inventory management system, helping F&B operators to streamline the financial reporting process, to view in real-time their transaction data to understand their purchasing patterns and to forecast future buying needs better. Tapping the EzyPayment service and UOB’s Virtual Payment Solution, our customers can also enjoy interest-free credit and the flexibility to extend their credit cycle by up to 90 days.

“We operate four F&B outlets with different dining concepts in Singapore. To meet our restaurants’ needs supplies are ordered from more than 60 vendors, resulting in the need for us to dedicate manpower to manage and to reconcile an average of 300 delivery orders and invoices per month. With the enhanced UOB BizSmart solution, we will be able to streamline the purchase and payment process and increase productivity for both our front of house as well as support teams. Apart from improving our efficiency, the ability to extend our cash flow and to obtain financing in a timely manner will ensure that we are able to respond quickly to business opportunities as they arise.”

Mr Russell Yu
Director and Founder of Iki Concepts

During the year, we also launched UOB BizSmart in Malaysia (where it is known as UOB SmartBusiness) and Thailand to offer more customers a simple and cost-effective way to manage their administrative processes.

Since the solution was launched in Singapore in 2016, more than 7,000 small businesses across the region have used UOB BizSmart to drive their performance.

Addressing Small Businesses’ Financial and Operational Concerns

The availability of working capital is key to the successful operations of small businesses and for many of them, the availability of data, such as financial accounts or audited financial statements, is one of their biggest barriers to obtaining financing.

To enhance our ability to process loan requests from small businesses, we created a data analytics-powered credit underwriting engine that cuts both the turnaround time and the number of steps involved in a small business loan application by more than half. The enhanced system harnesses existing sources of information with new pools of data, such as those relating to the company’s day-to-day operations. It then applies analytics to gain deeper insights into the credit behaviour of small businesses. For example, in a market-first in Vietnam, we provided financing to several online sellers operating on e-commerce platforms, Lazada and Sendo, based on their sales and cash flow data.

The analytics-enabled engine, which is implemented across five markets – Indonesia, Malaysia, Singapore, Thailand and Vietnam – enables us to determine the creditworthiness of our customers more accurately and in turn to extend credit to them with more certainty.

Our credit underwriting engine was awarded The Best Credit Evaluation Initiative, Application or Programme at The International Excellence in Retail Financial Services Awards 2018 organised by *The Asian Banker*.

UOB BizMoney is our flagship collateral-free loan product for small businesses in Malaysia, Singapore and Thailand. In 2018, we entered into an agreement with Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP), an administrator and manager of credit guarantee schemes under Malaysia's Ministry of Finance, to offer loans of up to RM1 million through the SJPP-UOB BizMoney financial solution. The solution provides flexible repayment tenures of 18, 24, 36, 48 or 60 months, with interest rates starting from 0.54 per cent per month. SJPP will guarantee up to 70 per cent of the loan through its Working Capital Guarantee Scheme and Services Sector Guarantee Scheme.

During the year, we provided more than \$1.6 billion in loans to more than 12,000 customers across Southeast Asia through products such as UOB BizMoney.

For their day-to-day operations, our customers can choose the UOB BizTransact Account or the UOB eBusiness Account, through which they can enjoy rebates on transactions such as remittances and fund transfers. They can also use the UOB Payroll solution to pay their employees promptly and conveniently.

In 2018, we enhanced our UOB Business mobile app to give our customers a single point of access to conduct their banking and business needs. Our customers can view their bank account information, perform transactions and check transaction status securely, as well as view real-time information on FX rates and set alerts on preferred rates on selected currencies for conversion. The mobile app also provides our customers with news feeds and the Bank's insights into market and industry developments relevant to their business.

Through the UOB Business app, our customers can also access BizExchange, our virtual marketplace on which they can enjoy exclusive offers for business essentials such as stationery, office furniture and corporate secretarial services. During the year, we continued to engage our customers through UOB InBusiness, our dedicated website to provide essential insights around key business topics relevant to them.

Access to talent is another main concern of many small businesses. To secure suitable talent, our customers can participate in the UOB-Singapore Management University (SMU) Asian Enterprise Institute's Entrepreneur Shadow Programme, under which penultimate and final year SMU undergraduates will shadow business owners in the day-to-day activities of building a small business. As small business owners impart their knowledge and share their experiences, the students can also gain better appreciation of job prospects within small businesses. By engaging young talent, small businesses can also benefit from their fresh perspectives on how to improve operations for growth.

Deepening our Skills to Serve Our Customers Better

To ensure our competency in providing our customers with the right advisory and solutions, we ensure our business bankers are well trained and kept current. Our ongoing training initiatives help our bankers deepen their knowledge in areas such as business and financial management, credit and trade financing.

These training initiatives include programmes with tertiary institutions across Southeast Asia. In 2018, we enhanced the UOB-Thammasat Business School Banker's Executive Certification Programme to equip our business bankers with the digital skills needed to help our customers remain competitive in the digital economy. We also saw the graduation of the first batch of business bankers from the inaugural UOB-Foreign Trade University Banker's Executive Certification Programme. During the year, a total of 100 business bankers graduated from these programmes in Indonesia, Malaysia, Singapore, Thailand and Vietnam.



We collaborate with tertiary institutions across the region to equip our business bankers with essential business advisory skills.

Group Wholesale Banking

UOB Group Wholesale Banking helps companies and institutions optimise their business operations and cash flow, manage risks, expand into new markets and manage their capital needs by providing tailored financial solutions, services and sector insights. We develop trusted partnerships by focusing on our clients' long-term interests and by helping them meet their strategic objectives. Our unique combination of local, in-country presence and expertise, astute Asian market insights and regional network connectivity enables us to help unlock Asia's potential for our clients.

2018 Highlights

- Achieved strong year-on-year revenue growth of 11 per cent from across geographies, client segments and products;
- Improved the asset quality of our loan portfolios, while driving strong growth rates from non-loan products;
- Deepened our product capabilities in areas such as cash management, trade finance, financial supply chain management (FSCM) and Global Markets' suite of products;
- Expanded our industry coverage across key markets in Asia through our Sector Solutions approach which provides our clients with in-depth insights and integrated, targeted financial solutions;
- Signed collaboration agreements with government, trade and commercial organisations to promote trade and investment flows into and within the region, including our first Memorandum of Understanding (MOU) in Vietnam;
- Named Best Regional Bank of the Year for the Belt and Road Initiative (BRI) in Southeast Asia in recognition of our efforts in connecting companies to business opportunities arising from the BRI;
- Led UOB's debut issuances of sterling covered bonds and US Dollar Rule 144A senior notes, as well as a number of landmark event-driven capital market transactions across the region; and
- Received close to 30 industry awards, including the Best Transaction Bank in Singapore at *The Asian Banker* Transaction Banking Awards 2018 for the second consecutive year, in recognition of our transaction banking capabilities across the region.

2018 Performance

In 2018, we achieved strong revenue increase of 11 per cent to \$3.94 billion, led by double-digit growth in cash management, trade finance, investment banking and Global Markets solutions, as well as moderate growth in loans. The growth was achieved despite challenges that arose from geopolitical uncertainties, ongoing global trade tensions and an increasingly cautious business sentiment.

We expanded our client base as a result of our continued efforts to deepen our client engagement and product capabilities. Our client coverage teams and Sector Solutions teams worked closely to provide our clients with in-depth industry insights and expertise to help them seize more opportunities and overcome the challenges they might face. We also kept our investments focused on strengthening our regional connectivity and digital capabilities in the service of our clients. These initiatives in turn enabled us to grow our revenue across geographies, client segments and product portfolios.

In terms of geography, we saw strong performance with revenue distributed evenly between Singapore and our overseas markets and double-digit growth rates in China, Hong Kong, Malaysia and Thailand. Income across our client segments also posted robust double-digit increases, led by Global Financial Institutions Group and Corporate Banking.

We remained prudent in managing our loan portfolios in 2018, improving our returns on risk-weighted assets by 58 basis points while our non-performing loans ratio was at 1.8 per cent.

Maintaining our risk-focused approach, we stayed disciplined in our expense management and increased our productivity across the region. As such, our operating profit went up by 10.5 per cent year on year, a reflection of our stable performance for the year.

In building and deepening our relationships with our clients, we encourage and support their sustainable business investments, especially those that are aligned with the United Nations Sustainable Development Goals.



Supporting the Development of Clean Energy



In 2018, UOB was appointed the co-lead arranger for Sinar Kamiri's Green Sustainable and Responsible Investment (SRI) Sukuk Wakalah fundraising exercise of up to RM245.0 million. The funds were for the development of a 49 mega-watt solar photovoltaic plant in support of the Malaysian government's target of having renewable energy contributing 20 per cent of the national energy mix by 2025. Sinar Kamiri's Green SRI Sukuk Wakalah was assigned a Tier-1 Environmental Benefit rating, the highest of three ratings, by RAM Consultancy.



Sinar Kamiri is committed to support the development of clean energy.

In another example, we have been working since 2015 with the wholly-owned subsidiary of one of the largest solar panel manufacturers in the world. We expanded our relationship with the company in 2018 to include trade and foreign exchange (FX) solutions as it continued to grow its operations.

The company is committed to the conservation of natural resources and harvests solar energy to reduce the consumption of electricity and water, which in turn minimises greenhouse gas emissions and pollution by waste water discharge. From 2013 to 2017, the company reduced its carbon dioxide emissions by 62 per cent, electricity consumption by 32 per cent, water use by 43 per cent and wastewater discharge by 47 per cent.

To minimise the environmental and social impact of its operations further, the company also practices sustainable procurement and its facilities are aligned to the standards of the ISO 14001 Environmental Management System and OHSAS18001 Occupational Health and Safety Management Systems.

Project Financing for Green Data Centre



We financed the development, construction and operation of Dodid's 113,235-square feet data centre. The data centre operator's facility, completed in 2018, is equipped with features such as a green façade to keep the building cool and to reduce the use of energy. In recognition of its energy efficiency, Dodid's data centre achieved a Platinum rating from the Building and Construction Authority (BCA) and the Info-communications Media Development Authority (IMDA) in Singapore under the BCA-IMDA Green Mark for New Data Centres. In addition to financing, we also shared our insights into the data centre market in Asia to help the company identify and seize more business opportunities.



We supported the set-up of Dodid's energy-efficient data centre in Singapore.

Contributing to Economic Development Through Infrastructure Financing



During the year, we signed an MOU with PT Sarana Multi Infrastruktur (Persero) (PT SMI) to support infrastructure development initiatives in Indonesia through the provision of infrastructure financing, corporate financing and project financing.

PT SMI is a state-owned infrastructure financing company under Indonesia's Ministry of Finance and works with local and international financial institutions through public-private partnerships to provide infrastructure financing. According to Indonesia's Ministry of National Development Planning and National Development Planning Agency, the country faces a funding gap of close to Rp3,000 trillion for the completion of the infrastructure projects outlined in the country's national development plans by 2019.

Group Wholesale Banking

Outlook

Increasing geopolitical uncertainties around the world and the potential impact of US-China trade tensions and negotiations are some of the factors that are expected to affect economic activities and growth in Asia in 2019. Across the region, we will likely see lower foreign direct investment (FDI) flows, adjustments to supply chains and slower investments in new infrastructure projects.

Nonetheless, we remain confident of the fundamental strengths and long-term growth potential of Asia, in particular ASEAN. The establishment of UOB (Vietnam) in one of the fastest-growing Southeast Asian economies enables us to bring greater regional connectivity to our clients and to help them seize business and investment opportunities there.

We will also stay focused on meeting the needs of our clients by continuing to strengthen our product and service capabilities, harnessing technology to offer distinct, integrated solutions and borderless, reliable and efficient services. This is our long-term commitment as we seek to expand our client base in Southeast Asia, Greater China and internationally.

Commercial Banking

Providing Integrated Solutions to Medium-sized Businesses Across the Region

Our Commercial Banking teams are dedicated to supporting UOB's medium-sized corporate clients by providing a full suite of Wholesale Banking solutions to help them achieve their business objectives. Our in-depth understanding of our clients enables us to meet their financial needs at every stage of their business growth and throughout economic cycles.

We collaborate with various product teams, such as Sector Solutions, Transaction Banking and Global Markets, to customise integrated solutions for our clients across the region.

For example in Singapore, we supported a client in the food and beverage sector in growing and deepening its international presence by tapping the strengths of the Bank's extensive regional network. We offered a comprehensive suite of cross-border solutions, from cash management and financial supply chain management to financing and other investment banking services. We also helped the client to improve its business efficiency by digitalising its back-office processes which enabled more effective cashflow management and in turn faster access to financing.

Enabling Enterprise Growth Through Digitalisation and Internationalisation

We are also committed to helping our clients grow and scale their business through digitalisation and internationalisation.

In 2018, we entered a collaboration with Synagie Corporation, a provider of end-to-end e-commerce solutions, to help our clients in Singapore's distribution and retail sectors expand into and manage multiple online sales channels more effectively. With Synagie's solutions, our clients can manage every process across multiple e-commerce platforms centrally and efficiently, from inventory management, digital marketing and multi-channel sales to distribution and fulfilment of customer orders, without the need for large investments in technology and logistics infrastructure. The consolidated view of their sales and distribution channels will also enable them to have a better understanding of their cashflow needs and in turn, enable us to provide them more timely financing support.

During the year, we also launched an innovation and internationalisation programme for our clients in Singapore. Together with our ecosystem of partners, we help our clients upgrade and scale their technology capabilities by identifying areas for process improvements that can be transformed through advanced technology. We also support them in the acquisition and implementation of the technology or equipment by offering them working capital loans or equipment financing. For companies that have successfully upgraded their technology capabilities and wish to replicate their efforts in other markets, we offer cross-border cash management and treasury solutions to help them improve their regional business performance.

Our FDI Advisory Unit, which was established in 2011, has been at the forefront of helping our clients expand into new markets and connecting them to business and investment opportunities overseas. Harnessing the strengths of UOB's extensive network, over the last seven years, the team has supported more than 2,100 companies from around the world in their expansion into Asia and facilitated capital flows of \$137 billion into the region.

Through nine FDI Centres located in China, Hong Kong, India, Indonesia, Malaysia, Myanmar, Singapore, Thailand and Vietnam, we actively promote regional connectivity in the areas of trade, finance and logistics by working closely with government agencies, trade and industry associations and professional service providers.

To help companies gain a deeper understanding of and to identify business and investment opportunities in the region, we regularly host trade delegations and organise seminars in collaboration with our partners. For instance in 2018, we worked with the Indonesia Investment Coordinating Board (Badan Koordinasi Penanaman Modal or BKPM) to share with

clients our insights into Indonesia's economy and investment opportunities. For companies interested in venturing into Thailand, we held another event in Bangkok during which participants learnt more about Thailand's Eastern Economic Corridor and its potential to provide greater regional connectivity.

During the year, we also invited business leaders from across Asia to visit the Vietnam Singapore Industrial Park (VSIP) in Vietnam's Binh Duong Province. We connected them with strategic business partners and key local government agencies, including the Foreign Investment Agency of Vietnam, to help them understand the requirements when expanding into Vietnam. The event was part of our collaboration with VSIP JV, a joint venture between Singapore's Sembcorp Development and Vietnam's Becamex IDC, with whom we signed our first MOU in Vietnam to encourage and to facilitate FDI inflows.



We signed an MOU with VSIP JV to encourage FDI into Vietnam.

Following our UK-ASEAN corridor initiative in 2017, we entered into an alliance with Santander UK to help 200 companies from our respective markets in their cross-border expansion.

In addition, we reaffirmed our commitment to contribute to bilateral cooperation between Singapore and China when we signed an MOU with the Suzhou Industrial Park Administrative Committee to help more companies tap the BRI for their cross-border expansion.

In recognition of our ongoing efforts to connect companies to business opportunities arising from the BRI, we were named the Best Regional Bank of the Year for the BRI in Southeast Asia at the 2018 *Asiamoney* New Silk Road Finance Awards.

Corporate Banking

Supporting Large Corporate Clients in Their Regional Expansion

Our Corporate Banking teams support large Asian corporates as well as North American and European multinational corporates (MNCs), including Fortune 500 companies, operating in Asia.

Through UOB's established and integrated network, our global and local teams of relationship managers offer our clients seamless connectivity and specialised expertise as they expand across Asia. We also provide a suite of integrated solutions to meet their financial needs, including support for cross-border merger and acquisition opportunities.

In 2018, we supported Raffles Medical Group in the set-up of its first international tertiary hospital in Chongqing, China. We also provided a comprehensive merchant collection solution to help the client increase its efficiency in cashflow management.

During the year, we also extended a bilateral term loan to one of ST Telemedia's investee companies, U Mobile Sdn Bhd, to support the expansion of its infrastructure network in Malaysia. The loan enabled the client to improve its competitiveness and quality of services to its customers as it embarks on its journey to be a leading Malaysian telecommunications company.

Our product teams worked with Razer Inc (Razer), a leading provider of gaming hardware, software and services, to support the upcoming launch of Razer Pay in Singapore by enabling e-wallet top-ups and processing payments for its global network of merchants. Our digital FX solution also enables Razer to access wholesale FX rates when making payments to its merchants. Upon launch, Razer Pay users in Singapore will also enjoy competitive FX rates when making in-app purchases in a foreign currency. Our multi-product offering to Razer also includes workplace banking solutions to help the company improve its operational productivity.

"...UOB brings best-in-class payment solutions to help make the experience faster and more seamless for all our customers. We are confident that this partnership will accelerate the use of cashless payments in Singapore and across the region."

Mr Preecha Praipattarakul
Senior Vice President, Razer Pay

Group Wholesale Banking

Grab is another client with whom we formed a strategic alliance. The company's services have grown to become one of the most frequently used online-to-offline mobile platforms in Southeast Asia, providing consumers everyday services such as transport, food and package delivery, mobile payments and financial services. Our alliance with Grab will help fuel its ambition to build ASEAN's first everyday "super app" and to accelerate the use of digital services among the region's consumers. As a preferred banking and strategic credit card partner, we help Grab offer privileges to its customers using UOB cards for payment. We will offer cash management services to provide Grab's consumers the convenience of topping up their GrabPay wallet directly from their bank account. As part of our alliance, we will also explore greater support to

Grab in areas such as fleet financing, regional and centralised liquidity management solutions and workplace banking services.

"We are thrilled to welcome UOB as our strategic partner in Singapore and across the region... By combining our strengths, we will offer consumers more convenient payment services regionally and help more people move from cash to cashless."

Mr Anthony Tan
Co-founder and CEO, Grab



We entered into a strategic alliance with Grab to accelerate the use of digital services among ASEAN's growing base of digital consumers.

Providing Structured Trade and Commodity Financing Solutions for Global Trade and Business

Our Structured Trade and Commodity Finance team complements the commodity value chain through trade finance structures ranging from pre-export, shipment sales, inventory/borrowing base to receivables financing. We provide these solutions to clients who produce, trade and purchase commodities such as energy, metals and soft commodities.

Despite headwinds in global commodity markets in 2018, our performance for the year remained stable, reflecting the resilience and the vigilance of the team in driving growth and in managing our commodity risk exposure. Improvements in key sectors such as oil and gas and the resilience of other commodities enabled us to continue driving overall revenue growth as we stood steadfast in support of our clients.

Our coverage teams in China, Hong Kong and Singapore also continued to make progress, collaborating and tapping the regional connectivity to foster deeper client relationships, and achieving stronger momentum in sales. In growing our business, we worked with our key product partners, including Transaction Banking and Investment Banking, to offer our clients domestic and cross-border cash management solutions, as well as advisory on mergers and acquisitions.

Global Financial Institutions Group

Partnering Financial Institutions as They Grow and Expand Across Borders

Our Global Financial Institutions Group combines our local market knowledge with regional expertise to support our financial institution clients including banks, non-bank financial institutions (central banks, diversified financial, public sector, insurers and real money funds), global property funds and financial sponsors. We help them to grow their business and to drive their profits across Asia and gateway cities in Australia, US and UK. We do this by offering comprehensive solutions in cash management, trade financing, interest rate and currency derivatives, hedging, specialised finance structures and capital markets.

As the trusted partner to our clients, we are committed to creating value for them and to supporting their regional business. Our team of more than 100 dedicated, sector-specific bankers and analysts across UOB's global network is focused on growing our client portfolio and deepening our existing partnerships with leading financial institutions.

For example, as business opportunities continued to emerge from the BRI and infrastructure development initiatives across the region, we signed MOUs with Shanghai Pudong Development Bank and China CITIC Bank Corporation Limited to collaborate in providing financial solutions covering investment advisory, cross-border renminbi transactions, syndicated loans, and project and trade finance.

Structured finance and infrastructure financing remained among our key initiatives and focus areas. During the year, we also entered into a collaboration with PT SMI to support national and provincial infrastructure projects in Indonesia.

Enhancing Our Expertise and Sharpening Our Specialisation to Meet Our Clients' Risk Management Needs

During the year, we continued to build on our specialised client coverage capabilities, working with various product partners to provide customised and distinctive financial solutions to meet the risk management needs of our Financial Institution clients.

Together with our product partners from Global Markets, Transaction Banking and Investment Banking, we offered solutions ranging from bullion and commodities, secured financing and bank risk trade financing, to cash and liquidity management and global funds origination. We also established our capabilities in structured finance origination across the capital structure spectrum, from debt and equity to hybrid security and financial derivatives to assist more clients with their various financial needs. In 2018, we continued to help our clients to optimise their capital and liquidity positions and to manage the risks arising from ongoing market volatility and potential disruption by financial technology companies.

With global economic expansion expected to slow and market volatility to continue into 2019, we remain committed to supporting our clients through our targeted solutions and by tapping the strengths of UOB's credit ratings and extensive network.

Transaction Banking

Enhancing Regional Connectivity Through Comprehensive Solutions

Transaction Banking is committed to providing a comprehensive suite of cash management, trade finance and FSCM solutions to help our clients enhance their operations and cashflow and optimise their working capital. Through our integrated, regional network and cross-border solutions, we offer our clients the connectivity they need as they internationalise and set up regional treasury centres to facilitate their expansion across Asia. Our experienced teams of product specialists in China, Hong Kong, Indonesia, Malaysia, Myanmar, Singapore, Taiwan, Thailand and Vietnam also provide timely and seamless support for our clients.

In 2018, we continued to invest in our electronic delivery channels and product capabilities to help our clients enhance their business efficiencies. Our initiatives in electronic banking led to an increase of more than 20 per cent in the number of clients using our online banking solutions and double-digit growth in online transaction volume. We also developed new products via our open application programming interface architecture to create more seamless digital solutions for our clients.

Group Wholesale Banking

We have been playing an active role in the launch of several industry-wide cash and trade initiatives. In 2018, these initiatives included PayNow Corporate in Singapore, PromptPay in Thailand, DuitNow in Malaysia, Faster Payment System in Hong Kong and NAPAS IBFT in Vietnam. These digital payment initiatives enable a faster and more transparent payment process, which in turn helps businesses to manage their cashflow better and to offer convenient payment options to their own customers.

We also contributed to the digitalisation of trade finance through the Networked Trade Platform, a Singapore government-driven initiative that enables businesses to submit trade transactions electronically and conveniently via a single digital platform.

We invested further in our FSCM capabilities across Asia, helping our clients connect seamlessly with their strategic supply chain partners. Compared with the year before, we increased by 25 per cent the number of programmes we offered to support an ecosystem of suppliers and distributors across industries in 2018, resulting in more than 50 per cent business growth for the year.

In 2018, we achieved a record revenue increase of 21 per cent, contributing to more than one-third of Group Wholesale Banking's total income. Our cash management business posted solid income growth of 27 per cent while trade finance income was up by 10 per cent, due to our efforts to offer end-to-end solutions that meet our clients' needs.

We received 28 industry awards in 2018, including Best Transaction Bank, Best Cash Management Bank and Best Trade Finance Bank in Singapore at *The Asian Banker* Transaction Awards 2018. We also won Best Service Providers, Liquidity Management, Singapore, as well as Best in Treasury and Working Capital, LLCs and Best Service Providers, Cash Management in Indonesia at *The Asset* Triple A Treasury, Trade, Supply Chain & Risk Management Awards 2018.



We continued to be recognised by the industry for our transaction banking capabilities.

Investment Banking

Providing Corporate Finance Advisory and Capital Markets Solutions to Our Clients Across Asia

Our Investment Banking team provides solutions across debt and equity capital markets and complex event-driven transactions in areas such as corporate finance, mergers and acquisitions, leveraged finance, project finance and securitisation. Our multi-product focus enables us to structure solutions that are customised to Group Wholesale Banking clients' financing and corporate advisory needs.

In 2018, we led a number of landmark event-driven transactions, such as acting as financial adviser to the manager of ESR-REIT in relation to its merger with Viva Industrial Trust and as mandated lead arranger and bookrunner for the accompanying \$700 million debt fundraising in relation to the merger. We also acted as sole financial adviser to BRC Asia Limited in its \$199 million acquisition and subsequent delisting of Lee Metal Group Ltd and provided the debt finance to fund the acquisition. In addition, we were the sole financial adviser to UOL Group Limited on the mandatory unconditional cash offer for Singapore Land Limited.

During the year, we also led acquisition financing for high quality sponsors. For instance, we acted as mandated lead arranger and bookrunner of the HK\$13.8 billion term loan and revolving credit facilities for Gaw Capital Partners' acquisition of a portfolio of shopping centres from Link REIT, the RM420 million senior secured acquisition facilities for CVC Capital Partner's acquisition of Munchy Food Industries Sdn Bhd, the term loan facility for the Tamar Alliance-led consortium's acquisition of Australia Nature's Care Biotech Co Ltd., and the A\$715 million syndicated loan facilities for Blackstone's acquisition of logistic assets from Goodman Group.

We maintained our position as one of the top mandated lead arrangers for debt capital markets (DCM) syndicated loans in Asia (excluding Japan and Australia). As at 31 December 2018, we were ranked first and second in ASEAN and Singapore respectively on Debtwire's Mandated Lead Arranger and Bookrunner League Tables.

In Singapore, we arranged and underwrote several high-profile syndicated loan deals across the real estate, commodities, financial institutions and transportation sectors. We also capitalised on UOB's regional network and cross-border capabilities to arrange and to coordinate several significant financing transactions. These deals included the \$5.1 billion term loan and revolving credit facilities for Marina Bay Sands Pte Ltd, the US\$1.8 billion term loan and revolving credit facilities for Wilmar International Ltd, the US\$1.855 billion revolving credit facility for Vitol Asia Pte Ltd and the US\$1.62 billion syndicated term loan and revolving credit facilities for PT Perusahaan Listrik Negara (Persero).

In 2018, our DCM fixed income team executed more than 100 bond transactions, including private placements across Asia and reinforced our position as a leading regional player in local currency fixed income in Singapore, Malaysia and Thailand. These included UOB's debut issuances of sterling covered bonds and US Dollar Rule 144A senior notes, as well as UOB (Malaysia)'s RM600 million Basel III-compliant Tier 2 Subordinated Medium Term Notes.

We increased our market share in the Singapore dollar bond market, having lead-managed seven of the ten largest deals in 2018. These included Temasek's S\$500 million five-year guaranteed retail bond which was also its inaugural retail bond; the Land Transport Authority of Singapore's \$1.5 billion 40-year fixed rate notes, which was the longest-dated statutory board issuance; and Shangri-la Hotel Limited's \$825 million seven-year senior unsecured fixed rate notes, the largest senior issue by a foreign corporate issuer. UOB also lead-managed the two largest bank capital transactions in the SG dollar bond market.

In the Malaysian ringgit corporate bond market, we established for Daimler AG a RM3.0 billion Commercial Papers/Medium Term Notes and Medium Term Note Programme and arranged

its RM250 million four-year fixed rate notes issuance. In the Thai baht corporate bond market, deals we executed included the THB2.0 billion bond for Siamgas and Petrochemicals PCL, which was the first issuance with a partial guarantee by Thailand's Credit Guarantee and Investment Facility, and the THB5.0 billion guaranteed bond for Fraser Property Holding Thailand Company Limited.

In the equity capital markets area, we acted as a joint lead manager and joint underwriter for the renounceable and underwritten rights issue for Keppel-KBS US REIT. We were also the sole manager for the Raffles Education Corporation Limited's rights issue.

In recognition of our ability to originate and to execute holistic and customised financing and merger and acquisition solutions for our clients, we continued to receive industry awards at both country and regional levels. These awards included Best FIG Bond in Singapore for UOB's £350 million covered bond and Best Syndicated Loan in Indonesia for the US\$1.15 billion term loan facilities for Indonesia Eximbank at *The Asset Triple A Country Awards 2018*.



The awards we received in 2018 were a testament to our capabilities across various investment banking solutions.

Global Markets

Global Markets develops customised financial products and treasury solutions across multiple asset classes to help our clients meet their investment, liability and risk management needs. We also manage UOB's funding and liquidity in accordance with regulatory requirements and optimise the Bank's assets within our risk framework. Our prudent approach towards managing liquidity helps to maintain UOB's funding stability and balance sheet strength.

2018 Highlights

- Achieved 13 per cent year-on-year growth in sales income as we continued to broaden our suite of solutions and to deepen our client engagement;
- Strengthened our regional offering following the receipt of an over-the-counter derivatives licence in Vietnam and launch of a hedging solution in Indonesia;
- Rolled out a new digital foreign exchange (FX) solution in Singapore to help clients manage their FX risks more efficiently when making cross-border transactions in different Asian currencies;
- Expanded our sales teams and enhanced our coverage to focus on clients' cross-border needs; and
- Reiterated our commitment to acting in our clients' best interests through our Statement of Commitment to the FX Global Code, which sets out principles in reinforcing the integrity and effective functioning of the wholesale FX market.

2018 Performance

In 2018, we broadened our suite of solutions and deepened our client engagement in different countries. As a result, our sales income registered year-on-year growth of 13 per cent in the Business Banking and Group Wholesale Banking client segments. Our income from Greater China and ASEAN markets rose 34 per cent and 12 per cent respectively.

During the year, we saw strong double-digit increase in volume in interest rate hedging by our clients, especially those in Hong Kong and Singapore, as they stepped up managing their risk exposures amid the market volatility.

Our operating income increased six per cent as compared with the year before as our trading income improved from favourable FX and interest rate movements.

The income derived from the products and services we offer to the Bank's Group Retail customers and Group Wholesale Banking clients is reflected in the performance results of the respective customer segments.

Outlook

With global economic growth expected to moderate in 2019, central banks around the world are likely to pause or to alter their monetary policy actions. Amid concerns that a slowdown in global growth will affect the US economy, the financial markets have priced in a lower probability of interest rate increases by the US Federal Reserve. As such, we expect greater caution among our clients as they manage their interest rate risks.

The FX market is also likely to stay volatile in view of sustained global trade tensions and the impending Brexit. In particular, Asian currencies are expected to be affected by market uncertainty arising from the expected economic slowdown, especially in China, and elections in some Southeast Asian countries.

We remain committed to helping our clients manage the risks and seize the opportunities arising from the continued volatility in interest rates, FX, credit and commodity prices.

Providing Timely Support to Our Clients Through Comprehensive Solutions

Against the backdrop of market uncertainty and an evolving regulatory environment, we are focused on developing and offering products and solutions on a timely basis to help our clients manage their risk exposures effectively. To that end, we are committed to providing cross-border advisory and solutions to support our clients as they navigate through the region's diverse market landscape for their business expansion.

In 2018, we developed innovative products and solutions and stepped up our engagement with our clients to help them meet their investment, liability and risk management needs. We also expanded our sales teams in several markets including Greater China and Southeast Asia to deepen the cross-border support we provide to our clients.

We strengthened our hedging product offering following UOB being awarded a derivatives licence in Vietnam. We were also one of the first banks in Indonesia to launch domestic non-deliverable forwards to provide our clients with an effective alternative hedging tool to manage the risk of FX fluctuations on their currency exposure.

We continued to enhance and to expand the capabilities of our electronic platforms to provide liquidity and pricing for our end-user clients. We were the first foreign bank in China to execute offshore Renminbi (RMB) transactions via the R5-SHCH Connect, an FX trading platform set up by the Shanghai Clearing House and financial technology firm, R5FX Ltd. The platform was established as part of the financial infrastructure of the Belt and Road Initiative (BRI) which aims to boost financial connectivity across the region.

We were also one of the first market makers for direct trading between the RMB and the Thai Baht on the China Foreign Exchange Trade System, which was launched in February 2018.



During the year, we harnessed technology to develop electronic solutions for our clients to assist them in their regional operations and expansion. For instance, we rolled out a digital FX solution in Singapore to help our clients manage their FX risks more efficiently when making cross-border transactions in different Asian currencies.

To keep our clients abreast of economic developments and market opportunities, we continued to deepen our engagement with them through frequent interactions and events. For instance, in 2018, we held a series of seminars across the region to share insights into topical issues of interest to them. One such session was in Malaysia where our clients from North Asia gained a better understanding of the country's economic outlook and market opportunities.

We also held a BRI FX seminar in China attended by representatives of regulatory bodies, trade associations and banks. At the event, the participants shared their thoughts on the importance and the development of FX solutions in RMB and Southeast Asian currencies to facilitate trade, investment and tourism in the region. They also explored opportunities to provide direct RMB clearing and payment services for businesses tapping the BRI to expand across the region.

Just as we are committed to acting in our clients' best interests, we are an advocate of good practices in the FX market, playing our part to contribute to the sustainable growth of FX activities in financial centres globally. We support the FX Global Code, which was developed through a partnership between central banks and market participants from 16 jurisdictions.

In 2018, we issued our Statement of Commitment to the FX Global Code, pledging that we will continue to conduct our FX activities in a manner consistent with the principles of the code.



We held client and industry seminars in 2018 to share our market insights and to explore how we can better support our clients' needs across the region.

Investment Management

UOB Asset Management (UOBAM) offers individual and institutional investors in Asia a comprehensive suite of products, from unit trusts and exchange-traded funds to customised portfolio management services across asset classes and geographies.

UOB Venture Management (UOBVM) manages private equity funds that focus on investing in high-growth, privately-held companies in Southeast Asia and Greater China.

2018 Highlights

UOBAM

- Rolled out first-in-market customised digital investment portfolios through UOBAM Invest, Singapore's first digital advisory service for corporate investors;
- Incorporated environment, social and governance (ESG) considerations into UOBAM's screening of Asian and Singapore bonds, as well as investment-grade US corporate bonds;
- Expanded our range of investment solutions across the region with the launch of 10 new UOBAM funds, such as:
 - ▶ The United Asia Pacific Diversified Strategies Fund, UOBAM's first fund offering retail investors in Singapore access to alternative investments;
 - ▶ The United SGD Money Market Fund, which serves as a cash management tool for retail and institutional investors in Singapore to invest their short-term surplus funds;
 - ▶ The United SGD Fund, our flagship fixed income fund to provide retail and institutional investors in Brunei with regular returns;
 - ▶ The United Global Emerging Markets Opportunity Fund, which helps sophisticated investors in Malaysia to capitalise on the long-term growth of emerging markets;
 - ▶ The UOB Taiwan Balanced Income Fund, our first balanced fund in Taiwan suited for retail investors seeking income and capital appreciation over the long term; and
 - ▶ The United Global Innovation Fund for retail and institutional investors in Thailand seeking to invest in companies that drive and benefit from innovation; and
- Recognised as a leading asset manager in Asia with UOBAM receiving more than 10 awards across the region, including Best Asset Management Firm, Best Asia Fixed Income House and Best Alternative Investment Fund Management Company in Singapore, and Best for Asset Management in Thailand.

UOBVM

- Reinforced UOBVM's commitment to responsible investing by becoming a signatory to the Singapore Stewardship Principles for Responsible Investors;
- Maintained our investment focus on education, including in AI Education Inc. (AI Education), a high-growth company that uses artificial intelligence (AI) and adaptive learning technology in its computerised tutoring system in China; and
- Launched the fourth series of UOBVM's flagship ASEAN China Investment Fund (ACIF) to continue supporting promising, growth-oriented companies across the region.

2018 Performance

As one of the largest unit trust managers in Asia, UOBAM's presence continued to grow in 2018 with assets under management (AUM) at \$30.5 billion as at 31 December 2018.

With the launch of the fourth series of the ACIF during the year, UOBVM's AUM grew to more than \$1.3 billion in committed capital.

Outlook

With market volatility expected to remain in 2019, UOBAM will continue to invest in the growth of our core business and to deepen our ASEAN strategy and multi-asset capabilities so as to offer our clients a wider range of investment solutions. In stepping up our responsible investing efforts, we will also focus on impact investing and Islamic asset management.

We will build upon the local expertise of UOBAM's regional network and seek greater collaboration across our offices to enhance our business and product offerings. To scale up our business, we will also continue to identify opportunities to expand our presence in the region.

We will enhance our digital, data and analytics capabilities to broaden the use of technology across all aspects of our operations. This includes rolling out to new markets in 2019 our digital advisory service, UOBAM Invest.

At UOBVM, we will also continue to scale up our responsible investments, drawing on the collective expertise and strengths of UOB Group's network franchise and ecosystem of partners to identify meaningful investment opportunities in Southeast Asia and China.

Just as we seek to maintain a robust investment pipeline, we remain supportive of our portfolio companies, helping them to enhance their operations, ESG practices and their access to new markets and financing.

UOB Asset Management

Providing Investment Solutions for Every Generation of Investors Across Asia

We are committed to make investing simpler, smarter and safer for our clients. In 2018, we enhanced UOBAM Invest, Singapore's first digital advisory service for corporate investors and rolled out first-in-market customised digital investment portfolios. Offered through the Digital Adviser feature within UOBAM Invest, our customised portfolios are based on companies' combined investment goals, investment horizons and risk profiles. Corporate investors can also choose to use UOBAM Invest's Fund Direct feature to build and to manage their own investment portfolio of UOBAM-managed funds. UOBAM Invest offers all corporate investors in Singapore user-friendly, easily accessible and flexible digital investment services.



Through UOBAM Invest, we offer first-in-market customised digital investment portfolios for corporate investors.

We took feedback from our clients and stakeholders in 2018 and revamped our Singapore website to enhance the user experience. Developed in collaboration with Morningstar, the improved website provides real-time price information on our funds as well as our market and investment insights.

As a signatory to the Singapore Stewardship Principles for Responsible Investors, we also stepped up our responsible investing efforts during the year. We have begun incorporating ESG considerations into our screening of Asian and Singapore bonds, and investment-grade US corporate bonds, in addition to our active investment research and evaluation processes for equities.

Our impact investing strategy is centred on the research and identification of companies that can contribute to the United Nations Sustainable Development Goals, such as those committed to creating innovative sustainable products to reduce consumption and waste.

Our efforts in responsible investing were recognised by Fukoku Capital Management, a Japanese insurance investment manager, through the appointment of UOBAM as their investment adviser and to provide advice on and evaluation of ESG investment criteria for their Asia (excluding Japan) ESG equity investment strategy.

To provide investment solutions that meet the needs of different investors across Asia, we continued to expand our product offering with the launch of 10 new funds in 2018. In Singapore, the United Asia Pacific Diversified Strategies Fund is UOBAM's first fund offering retail investors access to alternative investments. This is an asset class designed to provide better long-term risk-adjusted returns and to provide capital appreciation through periods of market volatility. Sub-managed by UOBAM's subsidiary, UOB Alternative Investment Management (UOBAIM), the United Asia Pacific Diversified Strategies Fund is also the first daily liquidity alternative investment fund in Singapore with a focus on Asia Pacific.

Investment Management

Retail and institutional investors in Singapore can also invest their short-term surplus funds in the United SGD Money Market Fund. Through investing in high-quality bonds, it aims to provide returns comparable with Singapore dollar short-term deposits while offering liquidity. As part of UOBAM's responsible investing efforts, the United SGD Money Market Fund does not invest in bonds from companies in sectors such as gambling, alcohol and tobacco.

We also launched in Brunei our flagship fixed income fund, the United SGD Fund, in conjunction with the fund's 20th anniversary. With a low-risk profile and offering stable returns, the fund is suited to retail and institutional investors seeking regular returns. The United SGD Fund is one of the largest fixed income funds in Singapore, with its AUM crossing the \$1 billion milestone in 2018.

In Malaysia, our new United Global Emerging Markets Opportunity Fund helps sophisticated investors to ride on the long-term growth of global emerging markets and to gain long-term capital appreciation through an actively-managed, high conviction approach to stock selection. In Taiwan, we launched our first balanced fund, the UOB Taiwan Balanced Income Fund, that invests primarily in the preferred shares of Taiwanese financial holding companies, high dividend stocks, fixed income exchange-traded funds and Taiwan government bonds.

In Thailand we launched five new funds, including the United Global Innovation Fund for retail and institutional investors seeking exposure to companies that drive and benefit from innovation. The fund invests in businesses that create innovative technologies, processes, products or services to remain competitive and to capture a larger market share in their industry.

Our efforts and achievements received industry-wide recognition across the region in 2018. In Singapore, we were named Best Asset Management Firm and Best Asia Fixed Income House, while UOBAM received the Best Alternative Investment Fund Management Company award at *International Finance's* Financial Awards 2018. We also won the Best of the Best Performance award for Asian Bonds (10 Years) at the *Asia Asset Management* Best of the Best Awards for the third consecutive year.



UOBAM continued to receive industry-wide recognition in 2018.

During the year, our funds, such as the United Asian High Yield Bond Fund, the United SGD Fund and the United Asian Bond Fund, continued to receive various industry awards, while our Asia fixed income team's expertise was also recognised with the Manager of the Year award at the Benchmark Fund of the Year Awards 2018 for the second consecutive time.

In Thailand, we were named the Best for Asset Management at the *Euromoney* Private Banking and Wealth Management Survey 2018, while our United Income Focus Fund-A won the Best Fund Award at the *Money & Banking Awards* 2018.

UOB Venture Management

Investing in Market Leaders and Disruptors

In 2018, UOBVM reaffirmed our commitment to investing responsibly when we became a signatory to the Singapore Stewardship Principles for Responsible Investors, which aims to foster good stewardship among investors as active and responsible shareholders of investee companies.

At UOBVM, our investments focus on the benefits that technology brings to companies, from deepening capabilities and creating business opportunities to promoting inclusiveness, especially for low-income communities. Our investment focus also includes education given its significant impact on economic and social development.

One notable investment for the year was in AI Education, a leading education technology (EdTech) company that uses AI and adaptive learning technology in its computerised tutoring system for children in China. Also known as Yixue Group, the company's tutoring system, Squirrel AI, is built on its proprietary AI-driven engine and customised courseware in subjects such as Chinese, English, Math, Physics and Chemistry. Squirrel AI aims to address the shortage of experienced teachers in China by helping to impart knowledge digitally, thereby enabling teachers to spend more time on inculcating softer skills and life skills in their students.



In investing in AI Education, we hope to support the company's aim to bring its AI tutoring system to more students in China, especially those from low-income families.

Investing Responsibly Through Support of the Education Industry

AI Education

AI Education was an early adopter of AI in the education industry through its Squirrel AI tutoring system. The system uses machine learning and advanced algorithms to assess students' knowledge levels in order to provide targeted learning content and personalised learning plans.

With more than 1,600 learning centres in more than 280 cities across China, the company aims to bring Squirrel AI to more students, including those from less privileged backgrounds and rural communities. To achieve its goal, the company is offering one million learning accounts to children from low-income families for free.

"We were able to grow our business, to develop our learning courses and to attract AI talent more effectively after the investment from UOBVM and other investors. We also had more resources to promote Squirrel AI through our expanded sales and distribution channels, turning it into one of China's leading brands in the AI learning sector."

Mr Zhou Wei
Chief Executive Officer and Co-founder of Yixue Group

Ruangguru

As a provider of digital education content, Ruangguru focuses on using technology to overcome the geographical challenges of offering quality education in Indonesia, a country spanning more than 18,000 islands and 3,000 kilometres. With Indonesia's high mobile penetration rate, Ruangguru's mobile-optimised learning platform enables students, especially those from less privileged and rural communities, to access quality educational content at affordable prices. More than 10 million students across the country have benefitted from Ruangguru's learning platform.

"The investment from UOBVM was critical to scaling up our mobile education offering to reach more than 10 million K-12 students in Indonesia and helping us become the biggest player in the sector. The UOBVM team truly cares about social impact and we are thankful to have them as our investor and partner."

Mr Adamas Belva Syah Devara
Chief Executive Officer and Co-founder of Ruangguru

Following Series B financing, during the year we also increased our investment in Ruangguru, a market leader in EdTech in Indonesia offering affordable access to quality and interactive digital-based education content to educators and students across the country.

In 2018, we also launched the fourth series of our flagship ACIF. Through the ACIF, we invested in Weimob Inc., China's largest provider of cloud-based commerce and marketing solutions for small- and medium-sized enterprises via the social media platform WeChat. We also support the company's business expansion in Southeast Asia by connecting them to opportunities through UOB Group's extensive international network.

The Asia Impact Investment Fund (AIIF), our collaboration with Credit Suisse AG Singapore Branch, continues to generate a positive impact on low-income communities. The AIIF supports companies modernising agriculture practices in Southeast Asia and China, or adopting technology to improve the livelihoods of small and micro businesses by increasing their access to financing and customers. The AIIF also supports companies that seek to increase the availability of affordable healthcare in the region's developing economies through the use of technology.

Since 2016, more than 10 million low-income individuals have benefitted from higher income or better access to affordable goods and services, financing and quality education, due to the efforts of the AIIF's investee companies.

Colleagues

The decisions we make and the actions we take are guided by our values of Honour, Enterprise, Unity and Commitment. These values are also expressed in our care for the professional and personal growth of our colleagues across the organisation. We are dedicated to building a culture where our colleagues are empowered to make a positive and meaningful difference in what they do for our internal and external stakeholders. We do this by fostering an inclusive, prudent, progressive and high-performing organisation that encourages the best of each individual from our team of principled professionals. We are also committed to looking after our colleagues' well-being because we believe people give their best when they are supported, healthy and happy.



Our team of principled professionals enable our long-term success.

Our Employee Commitments

Our values give us a shared identity and sense of belonging, and our four employee commitments encourage us to keep raising the standards of our behaviour and performance in service of our customers.



Honourable

Do What is Right

We do what is right for all of our stakeholders and make decisions that are in the best interests of our organisation, our colleagues and our customers.



United

Make a Real Difference

Our unwavering commitment to upholding the UOB values is reflected in how our colleagues serve our customers and our communities with passion. We are here to create impact in shaping our future and adding value to the lives we touch.



Enterprising

Build Meaningful Careers

We encourage enterprise and ambition at all levels. We believe in bringing out the best in everyone through professional development and empowering our colleagues to take ownership of their career paths.



Committed

Lead by Positive Example

Our leaders act as role models, guiding individuals and teams to take on challenges and to take ownership of their actions. Together, we focus on enabling the success and advancement of all our colleagues.

2018 Highlights

- Invested \$26 million in training our colleagues across the Group, an increase of 22 per cent over 2017;
- Increased the average number of training hours per person by seven per cent to 46.1 hours;
- Launched a new training centre in Indonesia and revamped the UOB Learning Centre in Singapore;
- Extended our Leadership Right By You programme to China, Hong Kong and Indonesia, bringing the total number trained under the programme to 1,480;
- Rolled out new initiatives incorporating feedback to enhance our training programmes and people management skills Group-wide;
- Increased the number of job rotations to expand the capabilities of our talent and to hone their leadership skills, from 20 per cent to 39 per cent year on year;
- Recognised 15 teams for their achievements in productivity and innovation and celebrated the dedication of 870 long-serving colleagues at the UOB Honours event;
- Awarded 90 individuals and 35 teams from across the Group for being exemplary in fulfilling the UOB Customer Commitments; and
- Received 12 industry awards across the region for our outstanding human resource and workplace practices.

Doing What is Right

Our Commitment to Fairness

UOB is committed to building a safe, nurturing and inclusive workplace where all colleagues are treated respectfully and professionally and are given equal opportunity based on merit. We promote work-life harmony and an environment free from discrimination, bullying or harassment.

Our expectations of our people and the policies we expect them to abide by are stated in the UOB Code of Conduct (Code). We update our Code periodically to stay relevant with the times and to address regulatory requirements and policy changes.

Upon joining UOB, all new colleagues are informed of, and sign up to, their obligations and rights under our Code. All colleagues are required to refresh their knowledge and to renew their commitment to our Code through completing an e-learning module every year. We also help deepen understanding and embed the practice of our Code through frequent and interactive communications across the organisation.

Maintaining a Risk-Focused Organisational Culture

Our values drive our conduct and form the bedrock of our risk culture. They are the foundation for the four principles that guide our approach: enforcing robust risk governance; balancing growth with stability; ensuring accountability for all our risk-based decisions and actions; and encouraging awareness, engagement and consistent behaviour in every colleague.

Our comprehensive framework of policies, processes, methodologies and tools helps us identify, measure, monitor and manage material risks and opportunities faced by the Group. Where applicable, an individual's key performance indicators (KPIs) also include risk control metrics.

Ongoing training reinforces the risk-focused conduct that enables us to earn the trust of our stakeholders over generations. Many of the training programmes are also available online to enable our colleagues to learn and to complete them at their own pace. On average, each colleague across the Group spent 16.1 hours on risk management training. The training topics include:

- anti-money laundering;
- assessing and addressing operational and security risks;
- business ethics;
- core ethics for financial advisers;
- countering the financing of terrorism;
- Fair Dealing;
- financial crime prevention;
- global fraud prevention;
- IT security and cyber risk awareness;
- regulations on short-selling; and
- UK Bribery Act.

The senior management encourages understanding and practice of risk management across the organisation through regular and frequent communication such as face-to-face meetings, discussion groups and internal bulletins. It is also the responsibility of all people managers to set the tone and to promote risk-focused behaviour within their teams.

Colleagues

Our colleagues also participated in conferences, seminars and workshops to keep abreast of industry trends and to share best practices in risk management. For example, the Group Audit team learnt new approaches to address changing risks profiles of business and support units, through a workshop on Enhanced Risk Assessment by PricewaterhouseCoopers in 2018.

We also ensure through our whistle-blowing policy that our colleagues have the ability to raise matters of potential concern in a secure manner without fear of reprisal. All reported cases are swiftly investigated and resolved. The status of all whistle-blowing cases is tracked by Group Audit and reported to the Audit Committee every quarter.



Our Group Audit colleagues discussed how audit methodologies can be improved at the Enhanced Risk Assessment workshop.

Encouraging Feedback

We value the opinions of our colleagues and encourage them to share their thinking on what matters to them. Every article that is posted on MyUOB, the Group's intranet, seeks their views which can be given openly or privately.

In 2018, we acted on the feedback provided in a Group-wide Employee Survey conducted the year before. We analysed the survey results and our Group Human Resources team partnered function heads to develop and to roll out initiatives to address key improvement areas. Among these was a Manager Index report aimed at helping our people managers to improve their managerial skills and effectiveness to strengthen employee engagement.

Embracing Diversity and Inclusivity

We draw upon the diverse strengths, experiences and capabilities of our colleagues from 38 nationalities and different age groups. This helps to enrich our knowledge and appreciation of each other and the markets in which we operate. It also enables us to be sensitive to the needs of our customers and to serve them more effectively.

Ensuring Gender Diversity

Women accounted for 61.4 per cent of our permanent colleagues as at the end of 2018 and 57.1 per cent of all the hires in 2018. Women held 34.5 per cent and 51.8 per cent of senior and middle management roles respectively. They also accounted for 45 per cent of department heads, who are senior management reporting directly to the Group CEO or a Country CEO.

Our efforts in ensuring gender diversity and transparency in gender reporting in 2018 were recognised by Bloomberg, which listed UOB as one of only four companies in Singapore and 230 companies worldwide in its 2019 Bloomberg Gender-Equality Index.

Offering Re-employment to the Silver Workforce

We recognise the depth of knowledge and experience that colleagues who are beyond the statutory retirement age can contribute to the organisation. In Singapore, we offered re-employment opportunities to 158 colleagues who were eligible for retirement, 89 of whom were women. Since we started the re-employment of older workers in 2011, ahead of the legal requirement to do so in 2012, we have rehired 888 employees including 417 women.

Developing an Inclusive Workplace

Our diverse workforce extends beyond a mix of age and gender to include those with special abilities. The UOB Scan Hub – our nerve centre for digitising and archiving of customer documents – employs people with autism or deaf persons for their special abilities such as having a fine eye for detail, high levels of concentration and who are strong at methodical work processes. These specific skills are very suitable for a number of the functions at the UOB Scan Hub.

In 2018, we increased to 33 per cent the number of our UOB Scan Hub colleagues who have special abilities. With the Autism Resource Centre and the SPD in Singapore, we train people with special abilities to work at UOB Scan Hub and help ensure the work processes and the office environment are adjusted to accommodate their needs.



People with special abilities are valued for their contributions at the UOB Scan Hub.

Upholding Human Rights

We are committed to supporting internationally-accepted human rights principles, including those relating to non-discrimination, child labour, forced labour and freedom of association and collective bargaining.

Ensuring Freedom of Association

We respect our colleagues' lawful right to freedom of association and collective bargaining. Our approach is to maintain mutually trusted and respectful relations with unions. We hold regular

meetings with union representatives in markets across our network to understand and to address their concerns and expectations. In Singapore, these include the Singapore Bank Officers' Association, Singapore Bank Employees' Union and The Singapore Manual and Mercantile Workers' Union in Singapore.

The collective bargaining agreements we have with the unions cover wages and working conditions such as working hours, retirement age and re-employment, shift work, allowances, transport reimbursement, leave benefits, medical benefits, insurance benefits and grievance procedures.

As at the end of 2018, the proportion of unionised to non-unionised employees in Indonesia, Malaysia and Singapore was 23.7 per cent, 86.7 per cent and 29.9 per cent respectively.

Advancing Workplace Safety and Health

Creating a healthy, safe and harmonious workplace is important to us and we have established a set of workplace safety guidelines to identify and to address health and safety risks. In Singapore, our Workplace Safety and Health (WSH) Workgroup plans and implements various health and safety initiatives. The Workgroup includes representatives from different business and support units. Each department has its nominated WSH leaders, assistant leaders, managers and assistant managers and we take the necessary measures to eliminate health and safety risks. The representatives attend the bizSAFE course on risk management accredited by SkillsFuture Singapore, a statutory board under Singapore's Ministry of Education.

Building Meaningful Careers

Offering a Distinctive Employee Value Proposition

We focus on developing our colleagues' capabilities to prepare them for the future. We create an environment where they can perform to their best. We also care for their well-being. Our approach is upheld through our employee value proposition, UOB+you, which is supported by a wide range of programmes that covers flexible work arrangements, training and development courses, health and wellness, welfare benefits and recognition programmes.

Developing Our Colleagues for the Future

Setting rewarding career paths, offering educational opportunities and coaching are essential components of our approach to creating a dynamic and engaged workforce. We run numerous training and development programmes to equip our colleagues with the right skillsets to realise their own potential and to serve our customers better.

To remain relevant to and to anticipate the needs of a new generation of increasingly digitally-savvy customers, we have enhanced our training programmes to include digital skills. In Singapore, we continued with the Professional Conversion Programme (PCP) that we launched in 2017 to strengthen our colleagues' digital capabilities and to prepare them for future roles in the financial sector. The PCP was developed in collaboration with Workforce Singapore, the Monetary Authority of Singapore and The Institute of Banking and Finance. Each course under the PCP ranges from three to 12 months and is conducted through classroom learning, workshops and on-the-job training. In 2018, 440 branch colleagues completed the PCP and have since been progressively taking on expanded roles in the Bank.

We also continued our UOB SUMMIT (Social, Unity, Motivation, Mastery, Innovation, Technology) programme in Singapore to offer our colleagues more opportunities to upgrade their skills for the future. Under the initiative, we re-invest the grants received under the Singapore Government's Wage Credit Scheme into career and personal development courses for our people. Colleagues can also use the training credits for courses under the national SkillsFuture programme. A total of 3,567 colleagues attended 306 courses under the UOB SUMMIT programme in 2018.

To provide stronger support to small businesses in Vietnam, 31 of our business bankers in Vietnam graduated with the requisite skills through the UOB-Foreign Trade University Banker's Executive Certificate Programme in 2018. In Thailand, we upgraded the UOB-Thammasat Business School Banker's Executive Certification Programme to include digital skills for our Thai colleagues, so they can be better equipped to help our customers remain competitive in the digital economy.



Our colleagues in Vietnam deepened their knowledge of banking and gained new insights to serve our customers better through the UOB-Foreign Trade University Banker's Executive Certificate Programme.

Colleagues

In Malaysia, we continued our partnership with the Asian Banking School with our second cohort of participants attending the Wealth Advisory Certification Programme.

We also conducted internal training programmes for specific roles. In 2018, more than 80 per cent of our colleagues in relevant roles were trained on responsible financing to strengthen their awareness of key environmental, social and governance (ESG) issues and to enable them to assess ESG risks more effectively. The remaining 20 percent of those colleagues will undergo the training in 2019. Our Group Credit and Risk Management function also launched two leadership skills programmes that will complement the technical skills of their teams.

In 2018, we invested \$26 million in training our colleagues across the Group. Our colleagues completed an average of 46.1 training hours per person in 2018, which equated to an increase of 6.5 per cent over 2017.

Improved Training Facilities for Our Colleagues

In 2018, we upgraded the UOB Learning Centre in Singapore as part of our efforts to foster a continuous learning culture. The classrooms are equipped with wireless technology to enable participants to learn on their laptops or smartphones. Five “Private Huddle Rooms” are used to facilitate coaching sessions. There is also a “Connectivity Café” and an open area for collaboration and interaction across teams and functions.

In Indonesia, we set up a new training centre in UOB Plaza in Jakarta to enhance our colleagues’ training experience. Among other facilities, the centre has dedicated rooms for e-learning, a simulation room and a multi-function hall for training purposes. Our colleagues also use the hall to promote well-being through activities such as yoga, Zumba and choir practice.



Our colleagues holding their discussions in a relaxed environment at the “Connectivity Café”.

New Office Environment for Agile Working Styles

We designed and constructed our offices at the SGX Centre 1 and Far Eastern Bank buildings in Singapore to promote mobility and collaboration among our colleagues. To suit their activity needs they now have a choice of seven types of work settings:

- **Individual spaces:** Individual desks for daily work. The desks are clustered to enable colleagues to move around easily and for ease of group discussions;
- **Focus rooms:** Enclosed rooms for two or three colleagues to hold longer and private discussions;
- **Huddle rooms:** Enclosed rooms that are equipped with wireless internet and intranet access which can be used for groups of four to eight colleagues to hold their project presentations;
- **Meeting rooms:** Larger meeting rooms for up to 10 colleagues which are also equipped with audio and video conferencing capabilities to facilitate discussions with colleagues in other offices and other countries;
- **Touch-Down spots:** High benches and perch tables located at open areas across the offices, suitable for temporary use between meetings;
- **Communal spaces:** Open workspaces for informal discussions and social activities;
- **Work-Bistro:** Relaxed setting equipped with drinks and snacks for breaks and chats or even as short-term work spaces;



We designed new office spaces based on work activity needs.

Leadership Development and Succession Planning

Leadership development is a key focus area. As part of our continual efforts to build our bench strength, the Human Resources Committee manages the Group Organisation and People Review (OPR) programme to identify and to plan for talent development at middle and senior management levels.

Opening up opportunities for our talents to undergo job rotation where they can learn more about the Bank's various functions has been an important part of our leadership development strategy. In 2018, 39 per cent of our leadership talents who have been in their roles for three years or more took on different roles in the Bank to expand their capabilities and skills.

Succession planning is also integral to our OPR programme, especially for key positions across the Group. In 2018, the succession planning framework was enhanced to include detailed role requirement profiles to capture current and future role requirements for all our senior leadership positions more effectively. Our succession planning programme is regularly reviewed by the Board's Nominating Committee and by the Remuneration and Human Capital Committee.

Strengthening the Leadership Capabilities of Our Colleagues

We expanded our Leadership Right By You (LRBY) programme to China, Hong Kong and Indonesia in 2018. It was launched in Malaysia, Singapore and Thailand the year before. LRBY nurtures first line managers into UOB leaders who uphold our values, demonstrate care for colleagues and act with courage in difficult situations. The programme is based on our UOB Leadership SEED (Strategise, Engage, Execute, Develop) Competency Model.

We also increased the scope for our LRBY programme in Singapore to engage colleagues in individual contributor roles and to encourage them to take the lead in developing their careers. Called the Leading Self Programme, this 12-week course is conducted in a classroom setting and also online. Participants download a mobile app to receive career advice through multi-media formats. They can also converse with trainers via video conferencing.

Close to 1,200 colleagues across the Group participated in the various LRBY programmes in 2018. This is a 290 per cent increase from 2017.

We also continued to strengthen the coaching capabilities of our leadership team in 2018. Nine leaders underwent the International Corporate Coaching programme for executive directors and managing directors. They will be coaching graduates of the LRBY programme as part of the graduands' continuous leadership development journey in UOB.

Grooming Young Talent

Our long-established UOB Management Associate (MA) programme aims to attract high-calibre, early-career talents from across the region to take on roles in UOB. In 2018, we received almost 25,000 applications across the region – 15 per cent more than the year before. Of these, 46 fresh graduates from top universities in China, Hong Kong, Indonesia, Malaysia, Singapore, Taiwan and



Our colleagues in China and Indonesia learnt through the Leadership Right by You programme that a balance of care and courage is distinctive to UOB leaders.

Thailand were selected. They were given overseas assignments to gain regional experience. Since the 18-month long programme started in 2004, we have hired 575 MAs. Two in five are still with the Group, many of whom are progressing well in their careers.

We consistently seek to improve our selection process to ensure that we bring in the best talent to build up our leadership pipeline. In 2018, we updated the selection criteria for the MA programme with the development of a new MA Success Profile – a set of key competencies developed with inputs from senior leaders and high-performing MA alumni. These key competencies listed in the MA Success Profile are aligned to our UOB Leadership SEED Competency Model and are used to assess the suitability of each potential candidate.

As millennials relate to creative and interactive concepts, we added game elements to our online MA selection assessment for candidates applying for the 2019 programme.



Close to 25,000 people applied for our UOB MA programme in 2018.

Colleagues

Sharing Technology Insights with Our Colleagues

We organised various talks and forums for our colleagues to gain a better understanding of the developments shaping the banking industry.

In Singapore, the UOB Technology Forum that was started in 2017 continued into 2018 with speakers from leading technology companies and global trendsetters such as Amazon and Google. This forum for our senior leaders encourages robust discussions on the role of technology in the finance industry. Highlights from the forums were shared with all colleagues through MyUOB. In Hong Kong, we launched a UOB Learn4Future Café talk series on topics such as the adoption of financial technology. In Indonesia, our Shared Infrastructure Services team held weekly Tech Talks for all colleagues to hear from experts from renowned technology companies.

Managing Employee Performance

UOB's performance management framework is the foundation of our strong performance culture. Under this framework, the performance management process is called PEAK, which stands for Plan, Engage, Appraise and Keep Track. It is a meritocratic and values-based approach to assess and to reward performance, and to support career development.

To enhance our performance management process, we added 360-degree feedback as an additional lens to the SEED competencies and Values measures which we use to assess performance. In 2018, all managing directors in the Group underwent the 360-degree feedback process to have a clearer view of their strengths and weaknesses for self improvement. The 360-degree feedback will be extended to other cohorts in 2019.

We also established a Performance and Development Committee (PDC) for greater transparency and objectivity in assessing our managing directors' performance. Besides assessing if the managing directors have fulfilled their KPIs, the feedback from their Manager Index report and from their 360-feedback will also be factored in their development plans. The PDC framework will be extended progressively to the rest of our colleagues in the next two years.

Making a Real Difference

Caring for Our Colleagues

In caring for the well-being of our colleagues, we offer a range of benefits to encourage them to achieve better work-life harmony. These benefits include annual leave, parental leave, staff loans, special allowances and reimbursements, healthcare, social security-equivalent contributions, life insurance and accident insurance.

Providing Greater Work Flexibility

Since 2017, we have been rolling out flexible work options to help our colleagues in China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand to balance their work and personal commitments.

Examples of our flexible work options are:

- part-time work arrangements supporting colleagues with multiple responsibilities, such as mothers, part-time students and those caring for elderly parents, to continue working with us;
- staggered work hours giving colleagues greater flexibility in managing their daily work schedule;
- two hours of paid time off (Flexi2) every month for full-time permanent colleagues to attend to personal matters; and
- work from home option of up to 10 days a year to help colleagues manage their personal needs while fulfilling work responsibilities.

Fostering a Family-Friendly Culture

We provide dual-use nursing rooms at various office locations in Singapore and our overseas subsidiaries to support return-to-work mothers. The dual-use function serves as a practical way for us to optimise the use of our private meeting rooms while giving new mothers privacy and convenience whenever they need it.

We also give all fathers of new born infants in Singapore two weeks of paid paternity leave which we had increased from one to two weeks in 2015. This is in addition to the shared parental leave we offer, which enables working mothers to share up to four weeks of their maternity leave or adoption leave entitlement with their husbands. In 2018, 116 of our male colleagues utilised their paternity leave and about 80 per cent of our female colleagues remained in employment for at least 12 months after returning from maternity leave.

To demonstrate further our support for colleagues with families, we organised a "Bring Your Family to Work Day" in Singapore in 2018. More than 130 children experienced a day in the work life of their parents through guided tours and activities in the office. More than 260 colleagues and their families also took part in Families for Life Council's "My Family Weekend Fun Day" by the Singapore River.

Understanding that many caregivers often fail to take care of themselves in their focus on their frail or ill dependents, we organised a talk by non-profit organisation Caregivers Alliance for our colleagues to learn more about caregiving and self-care. More than 80 colleagues attended the talk and we subsequently offered a 12-week Caregivers-to-Caregivers Education Programme by Caregivers Alliance for our people.



Our Group Credit and Risk Management colleagues and their families during the "Bring Your Family to Work Day" event.



Our colleagues and their families with the Singapore Minister for Social and Family Development, Mr Desmond Lee, during the "My Family Weekend Fun Day" event organised by Families for Life Council.

Encouraging Healthier Lifestyles

We provide health and wellness programmes for colleagues across all markets. In Singapore and China, our Healthy Employees, Active Lifestyles (HEAL) programme offers comprehensive medical and healthcare coverage, as well as flexible wellness benefits for all eligible employees in Singapore and China.

Under the HEAL programme, colleagues receive HEAL dollars to spend on a wide range of health and wellness benefits for themselves and their dependents. The benefits include health screening, vaccinations, dental and optical treatments, gym memberships and dependent care. In 2018, our colleagues received \$16.9 million worth of HEAL benefits. We have reimbursed \$63.5 million worth of HEAL benefits since the launch of the programme in 2013.

Supporting Fitness and Wellness

To help our colleagues to stay fit and healthy, we partner wellness companies and organisations to conduct health talks and yoga classes at our office premises. The settings make it convenient for our colleagues to participate in the activities. We also encourage them to participate in various sports such as badminton, bowling, dragon boat racing, netball and softball. These sessions also helped to build camaraderie among them.

In Thailand, we opened an Employee Fitness Centre in our new office building in Bangkok in 2018 to promote good health among our Thai colleagues. We engaged fitness consultants to design the facilities and the centre includes a massage room where treatment is provided by visually-impaired therapists every Friday.

Through our UOB Heartbeat Run/Walk programme, we encourage our colleagues to keep active with their families. The annual event is also held to raise funds for underprivileged and special needs children. A record of more than 17,000 of our customers, colleagues and their families participated in the event across the region on 8 July 2018.

More information on our UOB Heartbeat Run/Walk programme can be found in the Community section of the report.



Our Thai colleagues can keep fit while at work with the opening of the Employee Fitness Centre in our office building in Bangkok.

Encouraging Employee Networking

We started our UOB+you networking programme in 2017 to foster a sense of belonging and to help our colleagues connect with one another outside of the usual work environment. In 2018, we bonded over activities such as virtual reality games and a Lunar New Year celebration. Since its launch, more than 1,000 colleagues have joined the networking sessions organised by Group Human Resources.

Providing Exclusive Lifestyle and Wellness Benefits

As part of our commitment of care, in 2018 we partnered service providers and merchants to provide exclusive UOB promotions for our people to help them stretch their dollar. The site we launched on MyUOB featuring these promotions was visited more than 100,000 times by colleagues who wanted to take advantage of the special deals on healthcare, fitness, dining and travel.

Leading by Positive Example

Recognising Our Colleagues' Achievements

As a values-based organisation where Honour, Enterprise, Unity and Commitment guide our daily working lives, we take time to recognise those among us who best demonstrate living our values. We run two Group-wide recognition programmes – the UOB Honours and the UOB Customer Commitments Awards (CCA). Our winners inspire us to greater heights.

Colleagues

UOB Honours

We held our second UOB Honours awards ceremony to recognise teams across functions and geographies who collaborated to deliver innovative solutions, who increased productivity or who demonstrated long-term commitment to the Bank. In 2018, we recognised 15 teams across the Group for their outstanding contributions and celebrated the loyalty of 870 long-serving colleagues across the region through the Dedication Awards.

UOB Customer Commitments Awards

In 2018, we completed the third season of the CCA programme. The Group-wide campaign, competition and ceremony seek to encourage and to inspire our colleagues to act always in the best interests of our customers. At the 2018 UOB CCA ceremony, we recognised 90 individuals and 35 teams for being role models of our customer commitments in their daily decisions and actions. They were selected from 6,552 entries – an increase of 74 per cent over 2017. The winners included colleagues from Canada, China, Hong Kong, India, Indonesia, South Korea, Malaysia, Singapore, Thailand, the US and Vietnam.

Receiving Industry Recognition

Our efforts in implementing positive workplace practices have been recognised internationally. Some of the awards that we have received for our people initiatives include:

China

- Best HR Centre of Excellence in Greater China (by HRoot)
- Excellence in HR Management Strategy (by Employer Excellence China 2018)
- Top Graduate Employers China (by 51job.com)

Hong Kong

- Special Mention for Family-Friendly Employers Award Scheme – Awards For Breastfeeding Support (by Home Affairs Bureau and Family Council)
- Good Mandatory Provident Fund (MPF) Employer – E-Contribution Award (by the MPF Schemes Authority)
- Good MPF Employer – Support for MPF Management Award (by the MPF Schemes Authority)

Indonesia

- Rating A for Learning and Development (by SWA Magazine, in collaboration with Management Institute for the Economics Faculty, University of Indonesia)
- Rating A for HR Technology (by SWA Magazine, in collaboration with Management Institute for the Economics Faculty, University of Indonesia)
- Rating BB for HR Transformation (by SWA Magazine, in collaboration with Management Institute for the Economics Faculty, University of Indonesia)
- Silver for Employer of The Year (by Asian Banking & Finance)

Malaysia

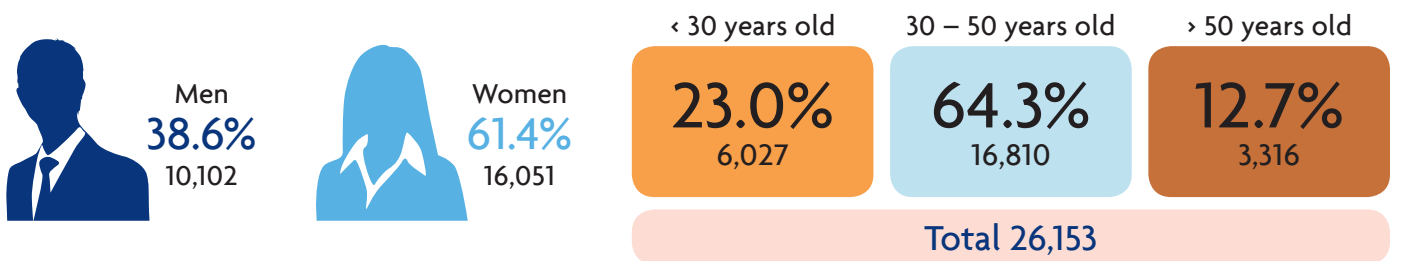
- Bronze for Excellence in Innovative Use of HR Tech (by Human Resources Magazine)

Singapore

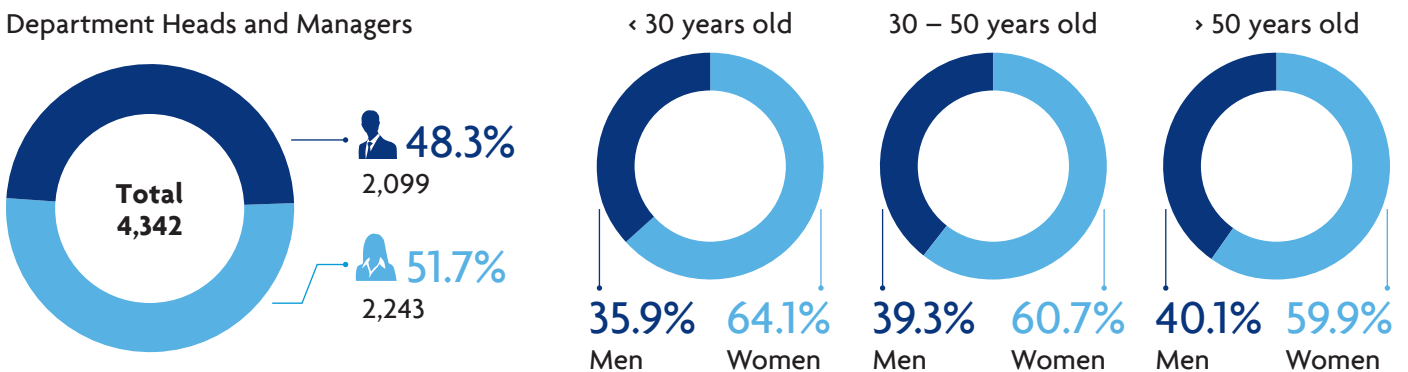
- SkillsFuture Employer Awards (Non-SME) 2018 (by SkillsFuture)

Diversity of Our People

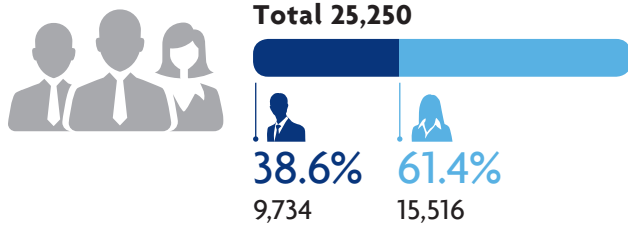
(as at 31 December 2018)



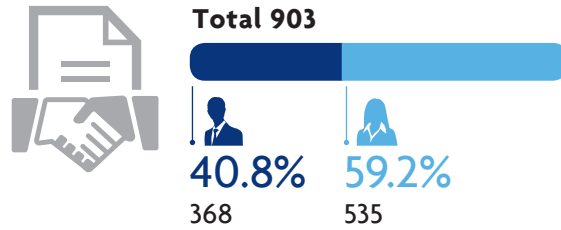
Department Heads and Managers



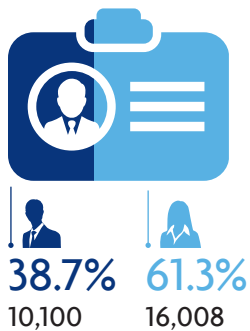
Permanent



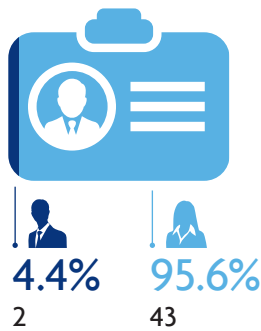
Contract



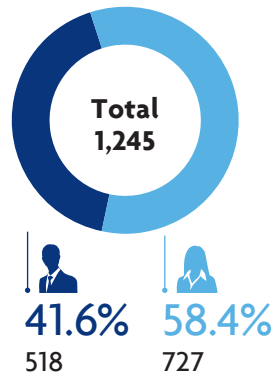
Full Time Total 26,108



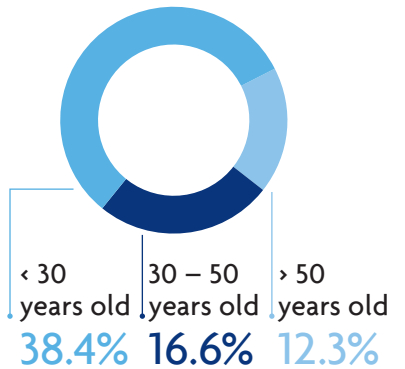
Part Time Total 45



Temporary



Turnover Rate



Total Number of Colleagues

Locals (Citizens/Permanent Residents)	24,824	94.9%
Foreigners	1,329	5.1%
Total	26,153	



	Senior Management	Middle Management	Executive	Administrative
	355 (65.5%)	3,115 (48.2%)	4,865 (37.3%)	1,767 (28.9%)
	187 (34.5%)	3,343 (51.8%)	8,167 (62.7%)	4,354 (71.1%)
Total	542	6,458	13,032	6,121

New Hires	Total	< 30 years old	30 – 50 years old	> 50 years old
	3,099 (42.9%)	1,470 (39.2%)	1,472 (47.2%)	157 (45.1%)
	4,121 (57.1%)	2,282 (60.8%)	1,648 (52.8%)	191 (54.9%)
Total	7,220	3,752	3,120	348









Turnover Rate	2018	2017	2016
Overall	21.0%	20.9%	20.6%
	22.5%	23.0%	24.1%
	20.0%	19.6%	18.4%

Colleagues

Average Training Hours Per Colleague

	2018	2017	2016
	46.3	43.4	38.4
	46.1	43.1	32.7
Overall	46.1	43.3	35.2

Training Hours by Employment Category

	2018	2017	2016
Senior Management			
	32.3	34.3	33.9
	35.6	37.6	29.7
Middle Management			
	39.0	37.6	35.5
	39.5	40.3	31.9
Executive			
	51.5	49.9	46.9
	46.2	43.0	34.9
Administrative			
	47.4	37.3	25.1
	51.3	45.4	30.1

Total Training Expenditure (\$ million)

	2018	2017	2016
	26.0	21.3	19.6

Average Training Expenditure Per Headcount (\$)

	2018	2017	2016
	992.3	845.5	788.9

Community

Enriching lives and strengthening societal bonds in our communities are fundamental to our business philosophy. Guided by our values of Honour, Enterprise, Unity and Commitment, we draw together our colleagues, customers and business partners to make a positive difference through philanthropy, partnerships and participation. We are focused and inclusive in our commitment to support the development of the communities in which we operate through art, children and education. Our efforts have enabled us to help the young, the underprivileged and budding talent across the region over many decades.



Mr Wee Ee Cheong, UOB Deputy Chairman and CEO, and Ms Jenny Wong, Group Head of Human Resources, led more than 8,200 colleagues, their families and customers to volunteer and to raise funds at the 2018 UOB Heartbeat Run/Walk in Singapore.

2018 Highlights

- Championed Southeast Asian visual art and artists through the 37th UOB Painting of the Year (POY) competition, international art fairs, outreach initiatives and partnerships;
- Opened UOB Art Galleries in China and Malaysia to raise awareness and appreciation of Southeast Asian art, and to give UOB POY artists international exposure;
- Partnered Indonesia's Museum of Modern and Contemporary Art in Nusantara (Museum MACAN) to promote art education and to make art accessible to the local community;
- Contributed more than \$5.1 million to communities in Asia through the UOB Heartbeat Corporate Social Responsibility (CSR) programme, with our colleagues, customers and business partners;

Community

2018 Highlights (continued)

- Recorded highest participation of close to 18,000 colleagues, their families and customers at the 2018 UOB Heartbeat Run/Walk and fundraising day across seven markets;
- Clocked more than 51,000 hours in volunteer work across the region – 16 per cent more than in 2017;
- Integrated innovation into corporate giving to raise funds through new mobile payment channels such as PayNow, SGQR and WeChat; and
- Received 11 industry awards and accolades, including for our UOB Heartbeat Run/Walk programme.

Keeping the Good Going Through UOB Heartbeat

The UOB Heartbeat CSR programme demonstrates our long-term commitment to enriching lives, to opening minds and to strengthening bonds in the communities where we operate. We aim to create sustainable good for more caring and inclusive societies through our efforts in corporate philanthropy, stakeholder partnerships and employee participation.



Philanthropy

We are committed to helping improve lives and strengthen the social fabric through financial and non-financial contributions such as donations in cash or kind, sponsorships, scholarships and the purchase of goods and services from charities.



Partnerships

We maximise our corporate giving by connecting and collaborating with partners for greater reach and impact. They include customers, business partners, vendors, community development councils and institutions, and UOB POY artists.



Participation

We unite as one in giving our time, skills and service to help build strong, inclusive and caring communities. We promote volunteerism across the organisation that creates a sense of belonging for our colleagues and helps make a positive difference in the lives of others.

We focus on three areas which we believe are essential for the quality and progress of society: art, children and education.



Art

Championing Southeast Asian Art
Art connects people, broadens minds, enriches lives and strengthens societal bonds. With our regional heritage and long standing support of Southeast Asian art, we aim to draw out the next generation of great artists from the region.



Children

Developing the Young to Their Potential
Children are the future so we must care for them today. Our efforts focus on helping them have a strong head start in life, giving them opportunities to express themselves fully and encouraging them to uncover and to cultivate their individual talent.



Education

Laying the Foundation For the Future
Education is essential for the progress of a country, its economy and its people. We open up and support learning opportunities for young minds and we help develop leaders of tomorrow.

Championing Southeast Asian Art

We believe that art transcends language, culture, geographies and time. Its history gives people a sense of identity and perspective, it informs with the present and it creates a future for the imagination. It builds relationships and unites people. As such and given our longstanding presence in the region, we have been behind Southeast Asian art for more than four decades.

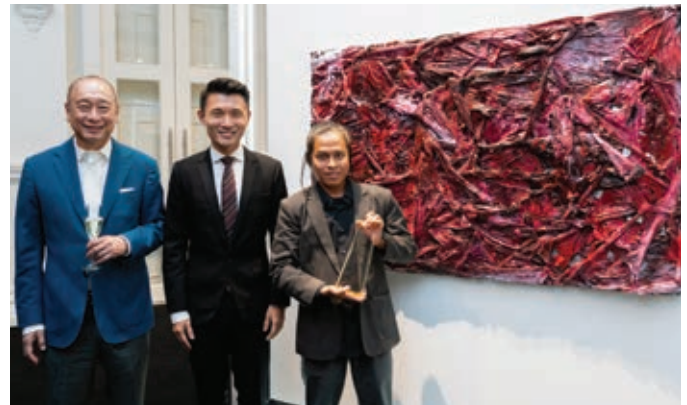
In recognition of our long-term commitment to art, we were presented with the National Arts Council's Distinguished Patron of the Arts Award for the 14th consecutive year in Singapore.

Drawing Out Talent Through Competitions

UOB champions Southeast Asian art through our flagship UOB POY competition which began in 1982. It is the longest-running art competition in Singapore and one of the most recognised in Southeast Asia. Through the UOB POY competition, we aim to uncover and to nurture the next generation of great Southeast Asian artists in the region. The competition is held at the national level in Indonesia, Malaysia, Singapore and Thailand. The most outstanding artwork among the country winners is presented the UOB Southeast Asian Painting of the Year Award. 2018 marked the competition's 37th anniversary. A total of 39 artists received accolades with the top award given to Mr Suvi Wahyudianto from Indonesia for his artwork, *Angs't (ANGST)*. His mixed media piece is a personal narrative

of his experience and depicts the collective consciousness of conflict and the unifying force of empathy.

In Hong Kong, the annual UOB Art in Ink Awards aim to drive greater awareness of and appreciation for the traditional form of ink art in a contemporary context. Nineteen local artists were recognised at the 2018 competition ceremony.



Mr Wee and Singapore's Senior Parliamentary Secretary, Ministry of Culture, Community and Youth, and Ministry of Transport, Mr Baey Yam Keng with the 2018 UOB Southeast Asian Painting of the Year winner, Mr Suvi Wahyudianto, from Indonesia.



Presenting the Southeast Asian winners of the 2018 UOB Painting of the Year competition.

Community

Opening the Doors to Art

We promote Southeast Asian art and the works of UOB POY winning artists at the UOB Art Gallery in Singapore. The Gallery, located at the heart of the Central Business District, is designed to draw people in to absorb the artworks on display.

In 2018, we presented more than 100 artworks through seven solo and group exhibitions at the Gallery. The pieces were curated from winning artworks from the UOB POY competition and our four-decade-old UOB Art Collection. Today, the UOB Art Collection holds more than 2,500 artworks, mainly comprising paintings by established and emerging Southeast Asian artists.

In China, we opened the UOB Art Gallery at UOB Plaza in Shanghai in conjunction with the official opening of our China headquarters building in 2018. Our inaugural exhibition, themed *UOB and Art: The Annual Report Series*, featured 17 artworks from the UOB Art Collection reflecting our distinctive approach to sustainable growth.



A sight for sore eyes – the ageless appeal of the artwork of Mr Abu Jalal bin Sarimon, UOB POY artist.



Studiously taking in the richness of Southeast Asian art at Art Stage Singapore 2018.

To encourage multicultural exchange of ideas and expressions, we launched an Artist-in-Residence programme in 2018 in China. Mr Chok Yue Zan, winner of the 2017 UOB POY (Malaysia) competition was the first resident artist.

Earlier in the year, we opened the UOB POY Gallery in Malaysia at the new UOB Bangsar Branch, reaffirming our commitment to uncover and to nurture artistic talent in the country. The winning paintings from the UOB POY (Malaysia) competition were displayed at the branch to deepen art appreciation among our customers and colleagues.

Putting Artists in the International Spotlight

We promoted artistic talent across the region by opening up opportunities for UOB POY winning artists to present their artworks at international art fairs. At Art Stage Singapore 2018, we displayed 38 paintings by 11 UOB POY artists through the *Stories of Southeast Asia* exhibition and curated pieces from the UOB Art Collection for *The March of Technology*.

Since 2016, we have been promoting the artworks of Indonesian UOB POY artists through Art Jakarta. In 2018, we also held our first art exhibition at the National Gallery of Indonesia, featuring 50 artworks from the year's competition winners and finalists. The two-week exhibition attracted more than 4,200 visitors.

In Hong Kong, we showcased winning artworks from the UOB Art in Ink competition at Art Central 2018 to raise awareness of ink art and as part of our community outreach initiatives.

In Malaysia, UOB sponsored the *Teh Tarik with a Flag* exhibition, which was held at the historic National Art Gallery of Malaysia to commemorate 60 years of Malaysia's independence.



Malaysian artists interpret their country's independence celebrations.

Extending Our Reach Through Partnerships

UOB is a founding partner of the National Gallery Singapore where the UOB Southeast Asia Gallery continues to hold the world's largest collection of modern Southeast Asian art on permanent display.

In Indonesia, we partnered the new Museum MACAN to promote art education and to make art accessible to the local community. As the Major Education Partner of Museum MACAN, we support the educational activities and forums organised by the international museum. We sponsor school visits that draw more than 1,000 students to Museum MACAN every year. In 2018, the UOB Museum MACAN Children's Art Space welcomed more than 100,000 visitors who experienced inspiring and interactive art installations including *Kotak Utak-Atik (The Tinkering Box)* by Gatot Indrajati, the 2016 UOB Southeast Asian POY winner.



Children at Museum MACAN with their interest in art now piqued.

Inspiring the Next Generation of Artists

To inspire art students to pursue their passion, we started a series of art dialogue sessions in 2017 for UOB POY artists to share their personal experiences with them. Called Artist's Conversation, the series aims to open the eyes of students to the creative possibilities of art.

In 2018, we extended our outreach to more than 1,000 students in Singapore from the Enhanced Art Programme, Art Elective Programme and tertiary art institutions. In Thailand, we ran art roadshows at 27 universities and colleges where more than 1,500 students exchanged their perspectives on Southeast Asian art with UOB POY artists and local curators.

All year round, UOB organises art workshops across our key markets in Asia for underprivileged children and those with special needs. Our colleagues volunteer their time to organise and to run the sessions for the children to learn art techniques from art professionals and award-winning artists.



Students and UOB POY artists taking art out of the classroom.



A child casting new light on UOB POY artist Gatot Indrajati's art installation.



Art tickling the fancy of some while making others pause for thought.

Community



Budding artists displaying their handiwork at one of the 24 ink art workshops at Art Central Hong Kong in 2018.



For students in Indonesia, Critical Thinking skills are taught through art.



Children learning the art of lantern painting at the hand of Mr Tan Rui Rong, UOB POY artist.

Developing the Young to Their Potential

In helping to build sustainable and inclusive communities for the long term, we believe in starting with the young. To help them develop to their full potential, we focus our efforts on their well-being and education.

Building Confidence Through Care

We support a number of programmes that are designed to help children progress in their physical and emotional development. Since 2016, we have sponsored art therapy services for children through The Red Pencil, a non-profit organisation that helps children with traumatic experiences heal and grow through

the arts. In 2018, we also worked with New Life Stories to fund reading programmes for underprivileged children whose parents are serving time. These sessions help improve the child's social confidence and language skills as they often do not have the opportunity to interact with others outside of their own families.

In Vietnam, we partnered the Saigon Children's Charity to raise more than \$11,000 to purchase bicycles for underprivileged children from Tien Giang province. With the bicycles, the children can ride instead of walk to school and have more time and energy to focus on their studies.



Riding on the importance of education, we aim to build better lives for underprivileged children in Vietnam.

Encouraging Self Expression

We believe that children need to be recognised and appreciated for their unique abilities. In Thailand, we worked with art professors and handicraft specialists to develop a five-week training programme for the visually impaired. Through the programme, the children acquired skills in various art techniques and were encouraged to express themselves. It helped build their confidence which was reinforced when they were also able to help others by selling their own artworks to raise funds for charity.

Levelling the Playing Field

We volunteer our time, skills and service to help children overcome barriers to education and learning. The UOB Life Skills for Phra Dabos Project is a special collaboration between

UOB Thailand and Phra Dabos School – a vocational school for underprivileged students. More than 120 students benefitted from this project in 2018. The courses in subjects such as English language, sport and music appreciation were organised and run by our colleagues in Thailand.

Since 2015 in Thailand, we have championed the UOB Please Touch programme, an outreach initiative for visually impaired children. The programme also aims to help youth who aspire to be artists by equipping them with art and craft skills to help them carve out a career in art. In Singapore, UOB is a long-time sponsor of the Little Arts Academy’s Mini Monet, an advanced visual arts programme to nurture and to support talented young visual artists from financially-disadvantaged families.



Show me the Monet – young artists paint their world.



Our colleagues leading on-the-ground training in the UOB Life Skills for Phra Dabos Project.



Kindling a child’s passion for art is UOB POY artist Mr Chok Yue Zan.

Community

Laying the Foundation for the Future

We believe that education has the ability to change lives and communities for the better as it prepares us to seize opportunities, to overcome challenges and to experience life fully. Therefore, UOB supports education programmes and initiatives that develop young minds, especially those of children from underprivileged backgrounds or who have special needs.

Taking Care of the Essentials

UOB China provided financial support for the education of underprivileged children from Shunhe Yi Minority Village School in Ya'an City of Sichuan Province. To help the children and their families, our volunteers also donated books, uniforms, shoes and household essentials.



100 students from Shunhe Yi Minority Village School all kitted out for class.



Seeing is believing – children from Hougang Sheng Hong Student Care Centre receive first-hand experience of the workings of a bank branch.

Essential to life skills is basic money management. In 2018, UOB ran several financial literacy programmes for children across the region. In Singapore, 30 children from Hougang Sheng Hong Student Care Centre participated in the UOB Heartbeat Education Workshop where they were also taken on a guided tour of the UOB main branch to experience elements of banking.

In Malaysia, we worked with industry partners such as Bank Negara Malaysia, the Financial Industry Collective Outreach and Teach For Malaysia to raise financial literacy standards of the young through workshops and talks. Our colleagues also participated in mentoring programmes across schools in Sabah and Sarawak to teach students about the importance of saving and spending responsibly.



Students from Sichuan Province figuring out the fake from the real notes in a money management lesson.



Training Tomorrow's Leaders

Every year, students from low-income families are given scholarships as part of the Wee Cho Yaw Future Leaders Award. In 2018, 13 students received the award. The \$50 million programme which was launched in 2015, is in partnership with the Nanyang Technological University and the National University of Singapore. Through it, UOB aims to develop future leaders by providing tertiary education opportunities to underprivileged students.

UOB also launched a postgraduate scholarship programme with the Singapore Management University to deepen the data skillsets of Singapore's pipeline of talent. This is to prepare them for the increasingly significant role that data plays in driving informed business decisions and strategies for organisations. Under UOB's programme, two students received a full Masters of Science scholarship in 2018 to study Data and Analytics.



Two scholars on the way to their Masters degree in data and analytics.



Piecing together a vision for her future.



Guided by our colleagues, children read from books with embossed words and illustrations - the work of their own hands.



Community

Exercising Our Right to Do Good for Others

Every year, our colleagues, their families, customers and business partners from across the region unite to participate in the UOB Heartbeat Run/Walk – our flagship regional fundraising event. In 2018, our colleagues in Vietnam joined those from China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand to host the single-day event.

We rallied a record number of almost 18,000 participants to run and to walk for charity and raised more than \$1.3 million for underprivileged children and those with special needs in Asia.

Compared with 2017, 23 per cent more people participated in 2018. The UOB Heartbeat Run/Walk demonstrates our holistic approach to corporate giving through philanthropy, partnership and participation. It was awarded Gold in the Excellence in the CSR category at the Marketing Excellence Awards 2018 by *Marketing Magazine*.



Keeping the good going across the region at our annual UOB Heartbeat Run/Walk.

Campaigning for Good Causes

Underpinning the UOB Heartbeat CSR programme is our commitment to helping to build inclusive communities.

In 2018, more than 330 of our colleagues in Singapore came together to show their strong support for inclusive communities at The Purple Parade. UOB's was one of the largest contingents at the event. The Purple Parade is the largest movement in Singapore that promotes awareness of those with special needs and celebrates their abilities.

In celebration of Singapore's National Day in 2018, our colleagues supported the "18 Days of Giving, A Lifetime of Caring" national initiative by taking 50 students with special needs from Rainbow Centre (Margaret Drive) to the National Gallery Singapore on a learning excursion.

During the year-end festive season, we also supported the works of people with special needs by hosting a UOB Heartbeat Charity Bazaar in Singapore. There, our colleagues bought gifts for their family and friends. The money raised from the Bazaar went to supporting our beneficiaries' educational programmes.



Our colleagues celebrating National Day in Singapore with students from Rainbow Centre.



Our colleagues marching as one at The Purple Parade 2018.



Bringing joy to the festive season are our beneficiaries.

Community

Lending a Hand to Those in Need

Every Lunar New Year, the UOB Commercial Banking teams join hands with our clients across the region to help the community.

In Singapore, Mr Wee led close to 200 UOB volunteers and clients in Singapore in organising and sponsoring a festive grocery shopping trip for people with disabilities. We then raised more than \$1.6 million for local charities at the 2018 UOB Commercial Banking Lunar New Year dinner. The funds raised for *The Straits Times* School Pocket Money Fund, *The Business Times* Budding Artists Fund, SPD and The Red Pencil, support visual art, art therapy and educational programmes for underprivileged children.

In Malaysia, close to 50 colleagues and clients came together for their annual Lunar New Year outreach activity. They brought festive cheer and gifts to more than 100 children from Persatuan Kanak-Kanak Istimewa Ampang and Yayasan Sunbeams Home.

In China, colleagues across the cities celebrated the Lunar New Year with children from underprivileged backgrounds by organising sports and art activities as well as donating school supplies and daily necessities.

Believing that children with dyslexia can be helped to overcome their learning difficulties, the UOB Business Banking team from Singapore adopted the Dyslexia Association of Singapore (DAS) as their beneficiary in 2018. The team supported the “Dare to Dream” fundraising campaign during the World Dyslexia Awareness Week 2018 by hosting an exhibition at the UOB Plaza Atrium to increase awareness on dyslexia. To help students with dyslexia who come from low-income families, our colleagues also raised \$73,000 for the DAS Bursary Fund.



Our Commercial Banking and Business Banking colleagues giving back to the community.

Integrating Innovation into Giving

In 2018, UOB initiated the “Scan and Donate for a Mighty Cause” campaign as part of the National Giving Week in Singapore to raise funds for underprivileged children with parents who are serving time. We facilitated donations by enabling the scanning of a fundraising QR code at all UOB branches. More than \$12,000 was raised to provide 260 reading sessions for children.

During the 2018 UOB Heartbeat Run/Walk fundraising campaign, we introduced the use of PayNow through the UOB Mighty app for colleagues and customers to donate in Singapore. In China, we introduced a UOB Heartbeat Run/Walk programme on WeChat, where our colleagues and WeChat fans could track the number of steps they took every day. We donated RMB1 for every 2,500 steps they took. Within three weeks, our WeChat fans clocked 500 million steps via the programme and raised RMB180,000 for charity.



Our fundraising campaigns in 2018 went mobile.

Receiving Recognition

Across the region, our colleagues have contributed more than 51,000 hours of their time and service through UOB Heartbeat CSR programmes in 2018, an increase of 16 per cent over 2017. We contributed more than \$5.1 million to communities through sponsorships, donations, scholarships and funds raised by our colleagues, customers and partners.

Our heartfelt efforts were recognised in 2018 with awards including:

- Champion of Good from the National Volunteer and Philanthropy Centre in Singapore;
- Distinguished Patron of the Arts Award for the 14th consecutive year from the National Arts Council in Singapore;
- Charity Platinum Award 2018 at the Community Chest Awards Ceremony 2018 in Singapore;
- Excellence in Corporate Social Responsibility – Gold at *Marketing Magazine's* 2018 Marketing Excellence Awards in Singapore;
- Excellence in Corporate Social Responsibility Strategy – Silver at the 2018 HR Excellence Awards in Singapore;
- Community Partnership Merit Award at the People's Association Community Spirit Awards 2018 in Singapore; and
- Best Charitable Contribution Award at the Lujiazui Annual Charity Awards 2018 in China.



We received the Charity Platinum Award from Singapore's President Halimah Yacob at the Community Chest Awards Ceremony 2018.



Environment

We are committed to conserving environmental resources for the well-being of our stakeholders and future generations. We are cognisant of the direct environmental impact resulting from our operations across our network of offices and branches, and have initiatives in place to advocate environmental stewardship at the workplace and to maintain an energy- and water-efficient real estate portfolio. We also mitigate the indirect impact from our business through policies and processes on responsible financing and investing.

2018 Highlights

- Retrofitted more than 14,000 square metres (m²) of workspace with more energy- and water-efficient features;
- Introduced Managed Print Services (MPS) across offices in Singapore, which enabled us to save 5,600 reams of paper, equivalent to 12 tonnes of paper or 330 trees;
- Achieved annual savings exceeding 442,000 kilowatt hours (kWh) by installing more energy-efficient light emitting diode (LED) lighting at our Thailand headquarters building in Bangkok;
- Achieved annual reductions of almost 140,000 kWh through the use of natural lighting in restrooms at our Indonesia headquarters building in Jakarta;
- Generated annual savings of about 55,000 kWh by installing smart day-night lighting controls at the carpark of our China headquarters building in Shanghai; and
- Stopped the purchase of plastic cups in Singapore to reduce consumption of single-use plastics.

Managing Our Direct Environmental Footprint

Our approach to managing our direct environmental impact centres on the principles of the three Rs: Reduce, Reuse and Recycle. Our direct impact to the environment results primarily from the consumption of resources including energy, water, paper and other supplies. The waste products resulting from the extraction, production, transport, consumption and disposal of the resources we use include greenhouse gas (GHG) emissions, wastewater and office waste.

As such, we focus our efforts on optimising energy use, conserving water, reducing paper consumption and diverting office waste to recycling options. With operations at our office buildings and branches accounting for the majority of our direct environmental footprint, we have implemented a range of programmes throughout our diverse workspaces to conserve resources and to manage waste effectively.

Globally, approximately a third of energy-related carbon emissions comes from buildings. This is why we are committed to managing our own premises in an efficient manner that meets the best practices recognised by green building standards. Green-certified buildings are also more cost-effective to operate.

To benchmark our progress, we use the Green Mark criteria developed by the Singapore Building and Construction Authority (BCA) for newly-acquired or retrofitted buildings and office spaces, wherever applicable. The BCA Green Mark is a green building certification scheme that evaluates the environmental performance of buildings and the practices of its occupants. Among other aspects, it takes into account the design, construction and operation of each space. The criteria for a Green Mark rating include energy, water and waste efficiency, environmental protection, indoor environmental quality and green innovations.

We first adopted the BCA Green Mark Existing Non-Residential Building Standards in 2013. Since then, we have achieved and maintained Green Mark Gold^{Plus} certifications for our main office buildings in Singapore – UOB Plaza 1, UOB Plaza 2 and UOB Tower Block.

Enhancing Our Offices to Create Energy-Efficient Workspaces

In 2018, UOB retrofitted more than 14,000 m² of workspace in Singapore to meet the diverse requirements of our colleagues.

Throughout the design process, we aimed to locate built-up areas, such as enclosed spaces and meeting rooms, toward the centre of the buildings and installed lower panels wherever feasible. These help to ensure that the open office spaces are exposed to maximum natural lighting during daytime, thereby minimising our use of artificial lighting. Further, by opting for LED lights, we have observed a 40 per cent reduction in lighting-related energy consumption at these spaces.

The retrofitted workspaces also included plants to enhance office occupants' exposure to natural elements. Indoor plants have been shown to help improve office air quality by reducing levels of carbon dioxide and volatile organic compounds.

In the restrooms, we installed water closets with the best rating of three ticks under Singapore's Water Efficiency Labelling Scheme. These enable us to consume 43 per cent less water than average.



We designed our workspace to maximise natural lighting and to reduce our dependence on artificial lighting.

Optimising Energy Use

Across our three main buildings in Singapore, our energy optimisation initiatives have yielded annual reductions of about 9.3 million kWh since 2016. This is equivalent to cost savings of close to \$2.3 million a year. In China and Malaysia, we have been upgrading the heating ventilation and air conditioning systems and chillers in our buildings since 2016. These efforts have also yielded annual reductions of more than 1.6 million kWh, the equivalent of more than \$230,000 in savings.

Within the offices and common spaces of our buildings, we have installed energy-efficient LED lighting wherever feasible. We also actively promote the use of natural lighting during day hours to reduce the need for artificial lighting.

In Thailand, for example, we installed more energy-efficient LED lighting at our headquarters building in Bangkok and achieved annual savings exceeding 442,000 kWh, equivalent to more than \$60,000. In Indonesia, our use of natural lighting in restrooms yielded annual reductions of almost 140,000 kWh and more than \$19,000 in cost savings. The installation of smart day-night lighting controls at the carpark of our China headquarters building in Shanghai also enabled us to reduce energy consumption by about 55,000 kWh per year and to save approximately \$5,700 annually.

We are also conscious of the higher energy demand from our data centres and server rooms as we continued to invest in our technology infrastructure. Despite this, the power usage effectiveness (PUE) of our data centres in Singapore has improved by 18 per cent since 2013 to the current value of 1.78, which is lower than the global industry average of about 2.0.

Minimising Paper Use and Printing

We encourage our people to minimise paper consumption. In 2018, we implemented Managed Print Services (MPS) at our offices in Singapore to help our colleagues be more conscious of the way we print and use paper. For example, the secure print feature of centralised printers helps us to minimise paper waste created by uncollected printouts or abandoned print jobs. This enabled us to save 5,600 reams of paper, equivalent to 12 tonnes or 330 trees, in 2018. With MPS, we also optimised our fleet of printers by cutting the total number by 50 per cent. This lowered power consumption and reduced the overall physical footprint occupied by our print devices by close to 280 m².

We also continued to print on Forest Stewardship Council (FSC)-certified paper our red packets, which are distributed annually to colleagues and customers across our network in celebration of the Lunar New Year. In addition, we stopped providing the UOB Annual Report on CD-ROMs in 2017 and have reduced the printing of hard copies. We provide a print copy, which is on FSC-certified paper, only when requested.

Environment

How do Managed Print Services Promote Sustainability?

A typical office environment can be equipped with a mix of printers, copiers, fax machines and other single-purpose devices. In adopting MPS, we are able to assess and to provide the appropriate device for each location.

To reduce energy and paper consumption, devices with MPS are equipped with the following:

- **Auto-off feature**, which switches off a device that is not in use;
- **Multiple functions**, which consolidate the uses of different hardware into fewer, more energy-efficient devices;
- **Smart print management**, which information technology managers can use to control sleep and wake-up modes across all printers centrally; and
- **Responsible print settings**, which enable secure and double-sided printing.

Conserving Water

We are mindful that in the countries where we operate, some face high levels of water stress. For example, according to the World Resources Institute (WRI), Singapore could experience extremely high water stress and face intense competition for and potential depletion of surface water by 2040.

At UOB, we conserve water through the use of water-efficient fittings in our buildings. Our main office buildings in Singapore, UOB Plaza 1, UOB Plaza 2 and UOB Tower Block, have all received the Water Efficiency Building Award from the Singapore Public Utilities Board in recognition of our water conservation efforts.

Managing Waste

The waste we generate comes mainly from paper, general waste and decommissioned office equipment which we dispose of or recycle through licensed waste management contractors. For example, we shred and recycle waste paper through reliable and licensed contractors.

In Singapore, where UOB's head office is, all general, non-recycled waste is processed by waste-to-energy (WTE) incineration plants, where the volume of solid waste is reduced by about 90 per cent. This approach has also helped the country to reduce its reliance on landfills, contributing to more sustainable waste management.

As part of our MPS, we have placed printer toner recycling bins at selected office and branch locations in Singapore to enable our colleagues to dispose of used toners properly for recycling. Since we implemented MPS in April 2018, we have collected about 800 printer toners for recycling.

In China, we implemented a light bulb recycling programme at our headquarters building in Shanghai in August 2017. Since then, we have collected 131 kilogrammes (kg) of fluorescent lightbulbs that would otherwise have been sent for disposal.

As all fluorescent light bulbs contain a small amount of mercury, recycling them prevents the release of hazardous mercury vapour into the environment.

Raising Environmental Awareness

To raise environmental awareness among the users of our buildings – colleagues, customers, tenants and visitors – we organise a range of programmes and initiatives each year. For example, we participate in the annual global Earth Hour campaign by turning off the lights at our buildings and encourage changes in workplace behaviour among our colleagues and building tenants. Among our tenants in Singapore, we also promote and encourage the adoption of the BCA Green Mark Office Interior certification.

Methodology and Adjustments

The consumption and waste data with regard to UOB's business operations are based on invoices or data supplied by our providers. For GHG conversion factors, we rely on sources such as local environment agencies, the International Energy Agency (IEA) and the United Kingdom Department for Environment, Food and Rural Affairs (DEFRA). Our Scope 2 and Scope 3 emissions are derived in accordance with the most recent directives of the GHG Protocol Corporate Standard, developed by the WRI and the World Business Council for Sustainable Development. Global Warming Potentials (GWPs) are sourced from the GHG Protocol guidelines.

Scope 2 emissions are the main component of our emissions profile. Our Scope 2 emissions, in turn, result primarily from our purchase of grid electricity. We also report Scope 3 emissions derived from air travel undertaken by our colleagues for business purposes. At present, Scope 1 emissions resulting from the use of vehicular fuels and stationary combustion fuels, which comprise a comparatively insignificant proportion of our overall energy consumption and emissions, are excluded from our reporting.

In 2018, we retrospectively adjusted our emission figures to reflect revisions in the grid electricity emission factors and to account for all branch locations and data centres. As the majority of our real estate is in Asia, our current data includes only Singapore, where our head office is, and our other key markets – China, Hong Kong, Indonesia, Malaysia and Thailand.

Our methodology now excludes from Scope 2 accounting UOB-owned spaces that are leased to tenants, known as downstream leased assets.

Further, when the Bank acquires any property with GHG emissions which if counted, would alter the country baseline by more than one per cent, we now include the full-year emissions of that property back to the year in which it came into existence or first came into operation. Similarly, when the Bank divests any property with GHG emissions which if discounted, would alter the country baseline by more than one per cent, we now deduct the full-year emissions of that property back to the year in which it first came into existence or operation. This is done in accordance with the GHG Protocol Corporate Standard and to maintain consistency over time.

Our Environmental Performance

As a result of a net increase in occupied floor space, our total energy consumption across the region increased 3.2 per cent since 2016 to a total of 129.4 gigawatt hours (GWh) in 2018. Overall energy intensity (measured in kWh per m² of floor space) reduced by 0.7 per cent. However, excluding data centres, the energy intensity of our office and branch locations improved significantly with a reduction of 3.6 per cent over the two-year period.

Similar to our energy performance, overall GHG emissions (Scope 2) increased 3.3 per cent since 2016 to 70.1 thousand tonnes CO₂-equivalent (tCO₂e). Our overall emissions intensity (measured in kg of CO₂-equivalent per m² of floor space) decreased 0.5 per cent. However, excluding data centres, the emissions intensity of our office and branch locations was 3.0 per cent lower than in 2016.

Our overall water consumption increased one per cent, compared with 2016, to 849,000 cubic metres (m³). However, water consumption intensity (measured in m³ per m² of floor space) declined 6.3 per cent in that same period. This indicates that, although we occupy more floor space than we did in 2016, our locations across the region are on average more water-efficient.

We purchased 1,209 tonnes of office printing paper in 2018, 3.2 per cent more than in the previous reporting year. FSC-certified paper (including both FSC 100% and FSC Mix) made up 14 per cent of the purchased printing paper. Our consumption of letters and envelopes remained relatively stable, with FSC Mix paper making up approximately 10 per cent of letters and envelopes used in the region.

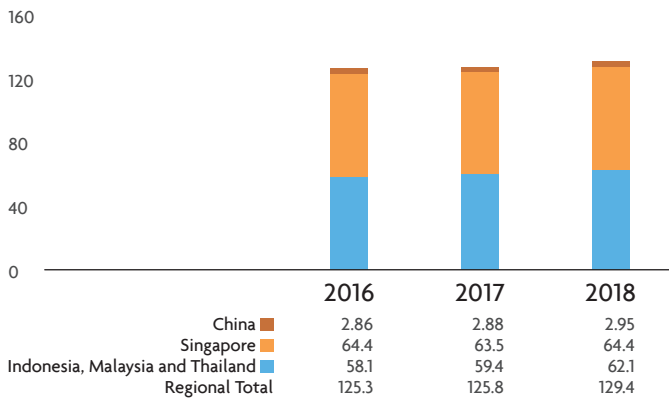
Although we purchased more paper in 2018, the recycling of paper and board material also increased 5.2 per cent to 441 tonnes, compared with the previous year. Altogether, paper and board recycling made up about 90 per cent of overall recycling, primarily because the vast majority of our waste paper is recycled after the shredding process.

The amount of waste sent for disposal remained relatively steady. In 2018, we generated 1,366 tonnes of unrecycled waste. About 50 per cent of that waste was processed at WTE incineration plants. However, waste disposal intensity (measured in kg of waste per m² of floor space) was reduced by 6.8 per cent compared with 2016. Further, total recycling increased 7.3 per cent to a total of about 493 tonnes.

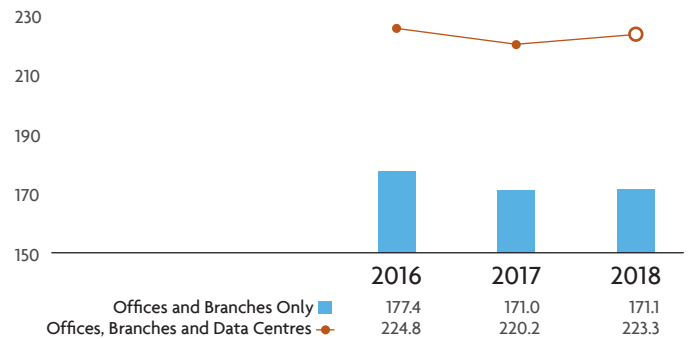
Environment

Direct Environmental Impact^{1,2,3}

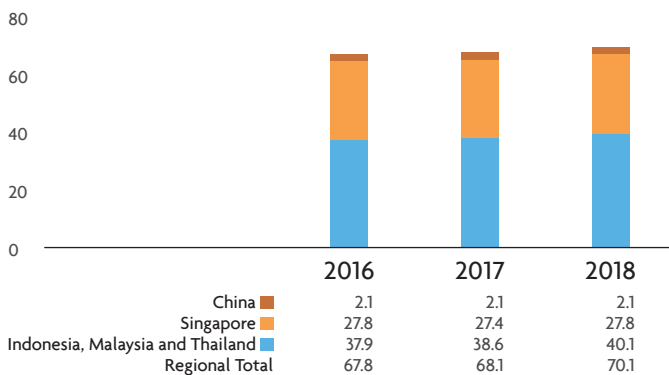
Purchased Grid Electricity (GWh)



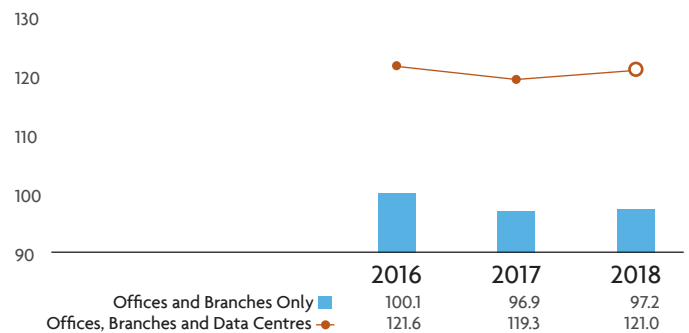
Average Energy Intensity (kWh grid electricity per m² of floor space)



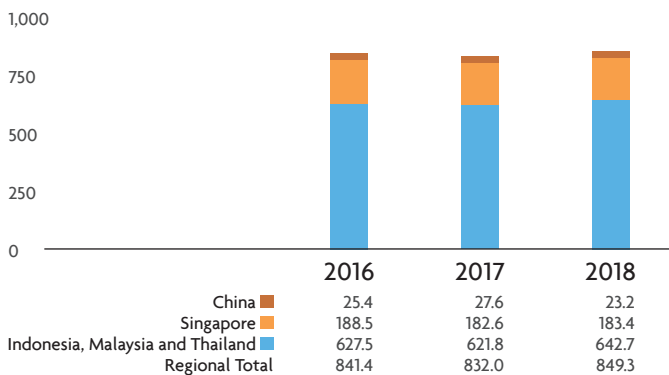
Greenhouse Gas Emissions⁴, Scope 2 (thousand tonnes CO₂-equivalent)



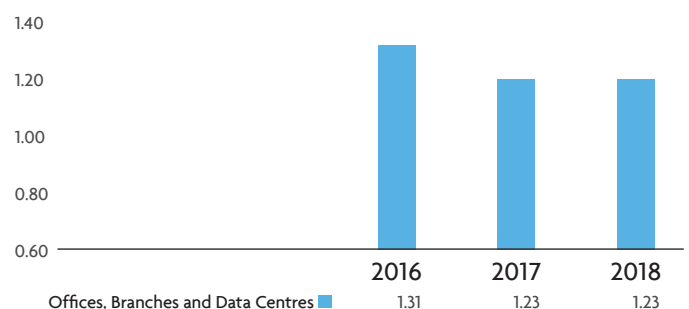
Greenhouse Gas Emissions Intensity, Scope 2 (kg CO₂-equivalent per m² of floor space)



Water Consumption (thousand m³ of water)

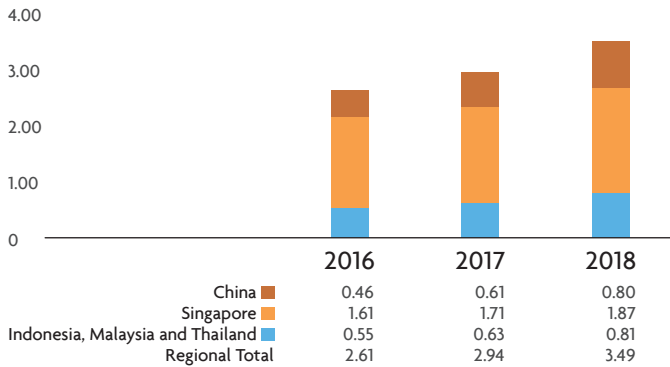


Average Water Consumption Intensity (m³ of water per m² of floor space)

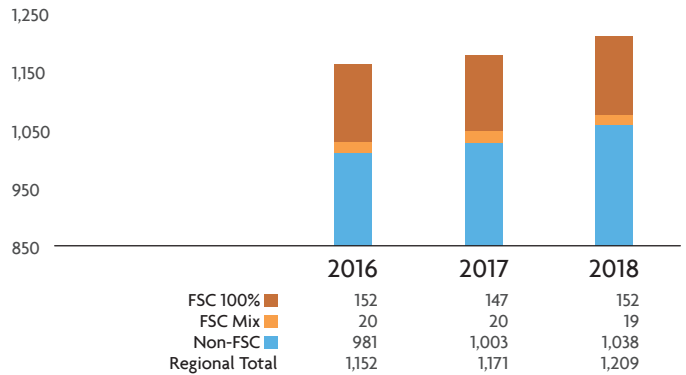


- 1 Previous year figures for resource consumption, emissions and waste have been retrospectively adjusted to account for the impact of branch locations and data centres, i.e. in addition to existing data pertaining to office spaces.
- 2 Previous year figures for resource consumption, emissions and waste have been retrospectively adjusted to exclude UOB-owned spaces that are leased to tenants.
- 3 All resource consumption intensity, emissions intensity and waste disposal intensity figures comprise data from our key markets, namely Singapore, Indonesia, Malaysia, Thailand and China (including the Mainland and Hong Kong).
- 4 In accordance with the GHG Protocol guidelines, emissions figures have been retrospectively adjusted to account for acquisitions or divestments of real estate assets, by including or deducting the full-year emissions of each asset back to the year in which they came into existence or operation.

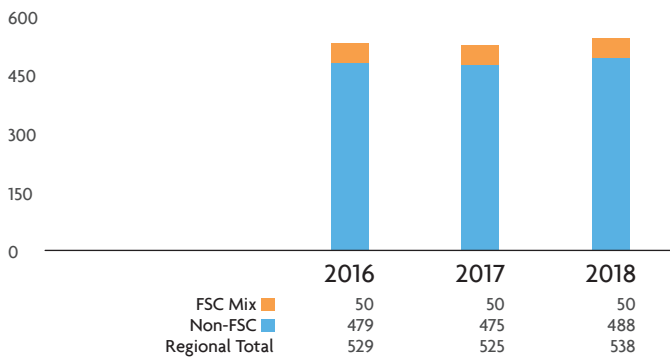
GHG Emissions From Business Air Travel⁵ (thousand tonnes CO₂-equivalent)



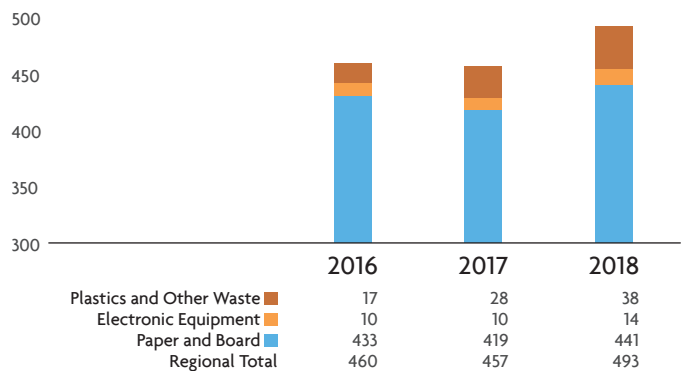
Office Paper Purchased (tonnes)



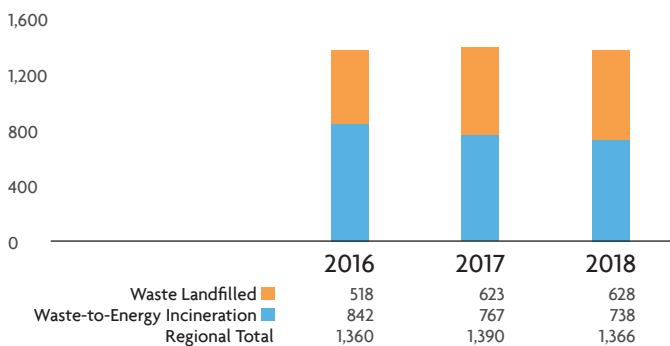
Letters and Envelopes (tonnes)



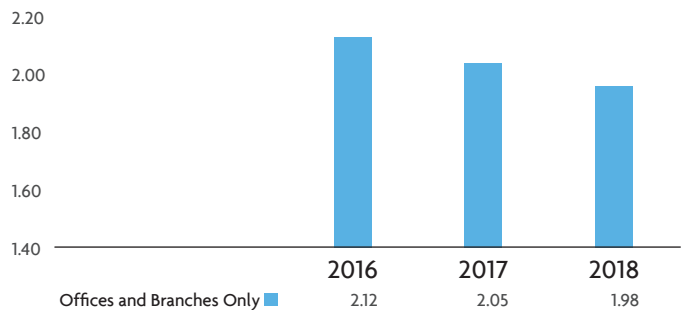
Recycled Waste (tonnes)



Disposed Waste (tonnes)



Waste Disposal Intensity (kg of disposed waste per m² of floor space)



⁵ 2016 and 2017 air travel emissions for Malaysia and China have been restated as more comprehensive data became available.

Investors

At UOB, we engage the investment community regularly to provide timely and relevant information on the Group's corporate strategy, operational performance and business outlook to help investors to make well-informed decisions. We also seek their feedback to provide Management with regular updates of market perceptions. With the long-term interests of our stakeholders at heart, UOB aims to build a sustainable business with stable returns.

2018 Highlights

Growing Recognition of Our Sustainability Approach

At UOB, our approach to sustainability focuses on addressing the environmental, social and governance (ESG) risks and effects of our operations in a manner consistent with our values. In particular, good corporate governance reflects UOB's commitment to integrity, transparency and accountability, and plays a definitive role in shaping investor perception of the Bank. In 2018, our commitment to good corporate governance and our ongoing efforts in enhancing the quality of our disclosure were recognised by the industry with UOB improving in corporate governance ranking tables.

UOB won the Outstanding Progress Award at the 2018 ASEAN Corporate Governance Scorecard Singapore. The award was in recognition of the Bank moving up 22 spots to rank fifth among the 100 largest public-listed companies by market capitalisation in Singapore. It was the first time the Bank was listed in the top 10 since the Scorecard was launched in 2011 by the ASEAN Capital Markets Forum and the Asian Development Bank. The Singapore Institute of Directors (SID) and the Centre for Governance, Institutions and Organisations (CGIO) of the National University of Singapore (NUS) Business School were appointed by the Monetary Authority of Singapore (MAS) as the joint domestic ranking bodies for the Scorecard in Singapore.



UOB Director Mr Ong Yew Huat (second from left) received the Outstanding Progress Award from Ms Grace Fu, Minister for Culture, Community and Youth, Singapore (third from left). It was witnessed by Mr Ng Yao Loong, Executive Director, MAS (far left), and Mr Willie Cheng, Chairman of the SID. Mr Cheng is also one of our Directors.

“UOB has made outstanding advancements in corporate governance over the years. In particular, it has significantly strengthened its board processes as well as stakeholder centricity. The commitment of the Bank’s leadership to enhance its disclosure and transparency is indeed most commendable.”

Associate Professor Lawrence Loh, Director of CGIO, NUS Business School

We also ranked highly – eighth out of 589 companies listed in Singapore – on the Singapore Governance and Transparency Index, a leading national benchmark developed by NUS Business School’s CGIO to assess companies’ corporate governance disclosures and practices. UOB also received the Bronze Award for Best Managed Board among listed companies with market capitalisation of more than \$1 billion at the Singapore Corporate Awards 2018.

Internationally, UOB’s inclusion in global and regional indices further underscored the industry’s recognition of the Bank’s sustainability practices. We were named as a constituent of *The Financial Times* Stock Exchange’s (FTSE) FTSE4Good ASEAN 5 Index, an ESG index designed to measure the performance and ESG practices of listed companies in the region. More recently, UOB, as a champion of workplace diversity and inclusion, was also one of four Singapore companies on the 2019 Bloomberg Gender-Equality Index. The index recognises companies committed to advancing gender equality at the workplace and transparency in gender reporting.

ESG Recognition	UOB’s achievement
FTSE4Good ASEAN 5 Index	Ranked second by market capitalisation as at 31 December 2018
Bloomberg Gender-Equality Index	Inclusion in 2019 based on disclosure in 2018
Sustainable Banking Assessment <i>(developed by World Wide Fund for Nature in collaboration with NUS CGIO)</i>	Ranked second among ASEAN banks in 2018
ASEAN Corporate Governance Scorecard	Ranked fifth in Singapore in 2018 (improved by 22 spots)
Singapore Governance and Transparency Index	Ranked eighth in 2018
Singapore Corporate Awards	Bronze Award for Best Managed Board among listed companies with market capitalisation of more than \$1 billion in 2018

Continued Efforts to Diversify Our Investor Base

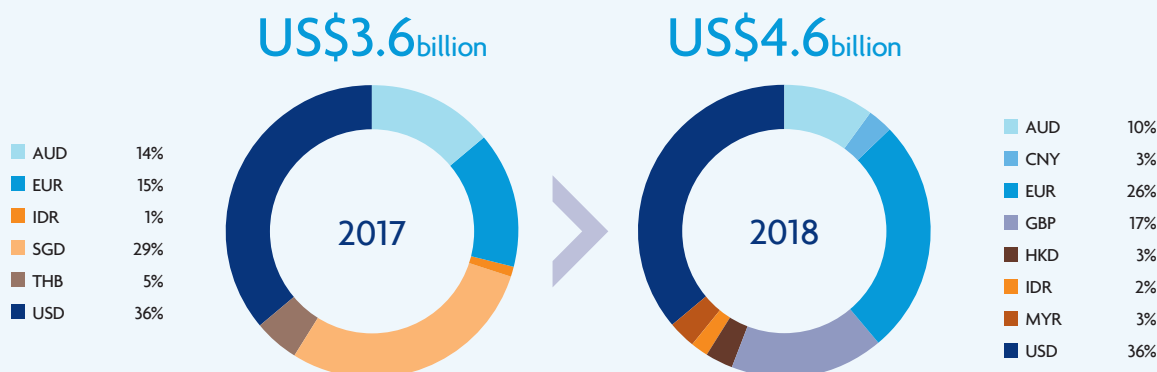
As part of our continued efforts to expand our sources of funding through a more diversified investor base, UOB has been making efforts to be more regular in our bond issuance in the global debt capital markets over the last five years.

In 2018, we issued bonds totalling an equivalent of US\$4.6 billion across various markets. In addition to our regular issuances, we accessed several new markets, such as the US Dollar (USD) Reg S/144A market at the Group level, as well as local currency issuances by our subsidiaries in the region.

Our issuances, underpinned by the stability of an AA-rated institution from an AAA jurisdiction, continued to attract strong interest from investors, demonstrated by the tight pricing and healthy levels of oversubscription.

Investors

UOB Group Bond Issuance by Funding Currency



Our proactive engagement with the investment community played a crucial role in the success of our funding diversification. In view of global investors' demand for highly-rated USD securities, UOB launched our first USD Rule 144A issuance under our newly-established Global Medium Term Note programme in 2018.

This US\$1.2 billion three-year fixed and floating dual tranche issuance was well received by the global investment community and more than twice oversubscribed.

During the year, we also entered the Sterling covered bond market with our debut £350 million covered bond. Our first-ever Sterling-denominated offering was named Singapore's Best Financial Institutions Group (FIG) Bond at *The Asset Triple A Country Awards 2018*.

Building on the successes of local funding initiatives that were established since 2014 by our banking subsidiaries in Indonesia and Thailand, we also established new funding programmes and obtained regulatory approvals in Malaysia and China. UOB (Malaysia)'s RM600 million issuance was the first Tier 2 bonds of its RM8 billion Medium Term Note programme. UOB (China)'s RMB1 billion three-year offering was another landmark issuance, becoming the first onshore senior financial bond issued by a Southeast Asian bank's subsidiary through the Bond Connect scheme and paving our way to access China's capital market.

Delivering Long-term and Sustainable Returns

Delivering sustainable returns for long-term value creation continues to be a key objective when we formulate and execute our business strategies. Apart from our last major equity capital raising exercise during the takeover of Overseas Union Bank in 2001, internally generated capital has been our main source of capital for our expansion plans. In 2018, we bought 7.9 million shares for \$212 million and used 1.9 million treasury shares¹ solely to meet our obligations under our employee long-term incentive plans.

Our disciplined growth strategy and prudent balance sheet management have enabled us to pay dividends consistently to our shareholders since our public listing in 1970 and through all

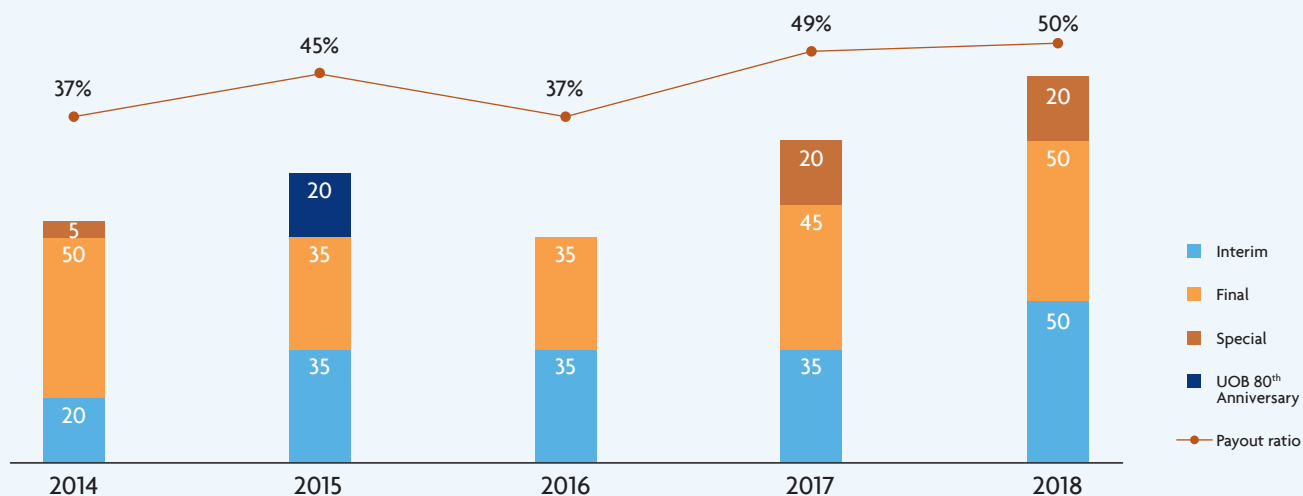
business cycles. Dividends are usually payable on a half-yearly basis. Our strong growth in both net interest income as well as fee and commission income in 2018 enabled us to achieve an 18 per cent year-on-year growth in net profit to reach a new level of \$4 billion. To reward our shareholders for their support, we have increased our total core dividend by 20 cents to \$1.00 per share for the year. Coupled with a special dividend of 20 cents, our full-year dividend was a total of \$1.20 per share, reflecting a payout ratio of 50 per cent.

Over the last five years, with our steady financial performance, we have achieved a total annualised shareholder return of 6.4 per cent from 2014 to 2018, outperforming Singapore's stock market average of 2.7 per cent².

¹ Treasury shares are ordinary shares repurchased by the Bank and are shown as a deduction against share capital. These may be sold, cancelled, distributed as bonus shares or used to meet the obligations under employee long-term incentive plans.

² Sources: UOB, Bloomberg

UOB's dividend per share (cents) and payout ratio (%) for 2014 – 2018



Selected Investment Metrics on UOB

	2014	2015	2016	2017	2018
Share price (\$)					
Highest	24.72	25.05	21.35	26.85	30.37
Lowest	19.40	18.20	16.80	20.05	23.80
Average	22.27	21.85	18.61	23.24	26.91
Closing	24.53	19.61	20.40	26.45	24.57
Market capitalisation (\$ billion) ^a	39.31	31.42	33.37	43.98	40.93
Price-to-earnings ratio (x) ^b	11.25	11.26	10.01	11.68	11.50
Price-to-book ratio (x) ^b	1.30	1.22	0.99	1.14	1.26
Net dividend yield (%) ^b	3.37	4.12	3.76	4.30	4.46
Return on average ordinary shareholders' equity (%)	12.3	11.0	10.2	10.2	11.3
Total annualised shareholder return from 2014 to 2018 (%)					6.40

a The year-end last done share prices are used in computing the market capitalisation.

b The daily-average share prices are used in computing these three ratios.

Investors

Maintaining Strong Credit Ratings, Underpinning Access to Wholesale Funding Market

UOB's credit ratings constitute an important component of our risk and capital management strategies. To help rating agencies better assess our credit standing, we maintain regular dialogue with them and provide updates on the Bank's financial performance and balance sheet strength. We remain one of the few highly-rated banks globally, with strong investment-grade credit ratings of 'Aa1' by Moody's Investors Services and 'AA-' by both S&P Global Ratings and Fitch Ratings.

“UOB's BCA [Baseline Credit Assessment] of a1 is based on the Bank's very robust credit metrics in both global and regional contexts, underpinned by its well-established banking presence in Singapore, Malaysia and other markets. The Bank's capital is good by global standards, with a large capacity to absorb unforeseen losses. UOB also has a deposit-funded and liquid balance sheet.”

Moody's report dated 6 December 2018

“Our ratings on UOB reflect the Bank's well-established market position, particularly in the SME segment, strong funding profile and prudent management track record.”

S&P's report dated 30 November 2018

Regular and Transparent Communications with Investors

Our engagement with the investment community, including our shareholders, institutional and retail investors, shareholder proxy advisory agencies, equity and fixed-income analysts and credit rating agencies, is governed by our Investor Relations Policy. We are committed to maintaining regular and transparent communications with investors to ensure that disclosure of information is conducted on a clear, fair and timely basis.

UOB is covered by the research teams from more than 20 brokerage firms globally. Through regular dialogue with the investment community, our Management keeps investors abreast of UOB's financial performance, milestones and other material developments.

We regularly review our content disclosure to provide investors with the material information needed to address their areas of concern. In 2018, investors' concerns revolved primarily around the impact of the uncertain macroeconomic environment on UOB's growth prospects and the progress of our digital initiatives. We improved our disclosure on the asset quality of our portfolios, the progress of our digital initiatives, including the plans for a new Digital Bank for ASEAN, and the direction of our future investments and expenditure.

In 2018, we shared with analysts and investors UOB's corporate strategy, operational performance and business outlook through 600 meetings, including:

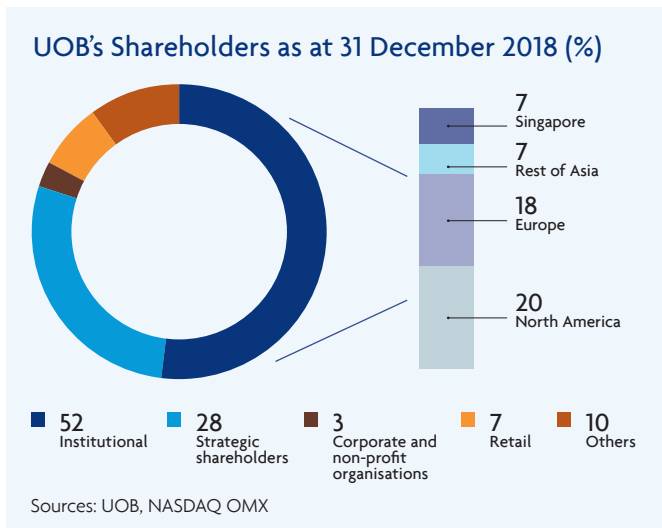
- Quarterly results briefings, fronted by Management, with conference call facilities arranged for overseas analysts and investors. Analysts and investors in Singapore were also invited to post-results luncheons every quarter;
- Investor meetings, conferences and roadshows held in Australia, Canada, China, Europe, Hong Kong, Macau, Malaysia, Singapore, South Korea and the US with both equity and fixed-income institutional investors;
- Singapore Exchange's (SGX) Corporate Connect Seminar with retail investors;
- Meetings with credit rating agencies; and
- Annual general meeting (AGM)³.

During the year, we also enhanced the UOB Investor Relations section on our corporate website www.UOBgroup.com to include key disclosures in relation to our approach to sustainability and to provide more comprehensive disclosures on our benchmark issuances and dividend payouts. To improve user experience and engagement, we also added features such as interactive share price charts, historical price data and an investment calculator for our investors to determine their returns and capital gains.

General information on UOB, such as annual reports, quarterly results, recorded webcasts of results briefings, news releases and presentation slides, as well as our investor relations calendar of events, are readily available on our corporate website. All financial results, material news releases, dividends recommended or declared for payment and ad-hoc announcements are also available on SGXNet.

³ For more information on AGM, please refer to the Corporate Governance section of this report.

Our Diversified Shareholder Base



Our shareholder base is well-diversified, spanning institutions, strategic shareholders, retail investors and other corporate and non-profit organisations. Institutional investors constitute the largest shareholder group, holding more than half of UOB's shares, followed by strategic shareholders, among whom are members of the Wee family, including UOB's Chairman Emeritus, Dr Wee Cho Yaw, and Deputy Chairman and CEO, Mr Wee Ee Cheong.

Our strategic stakeholders' steadfast focus on balancing quality growth with stability over the years, aimed at creating long-term value across the UOB franchise, is aligned with the long-term interests of the other shareholders and investors seeking stable returns from a sustainable investment.

Investor Relations Contact Information

If you have any enquiries or would like to find out more about UOB, please contact:

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Website: www.boardroomlimited.com

Governments and Regulators

Banks play an integral role in ensuring the stability and security of the financial system. At UOB, regulatory compliance is a top priority. We are respectful of the local laws and regulatory standards in the jurisdictions in which we operate and are mindful of the nuances in each. Led by our values, we are committed to safeguarding the interests of our stakeholders, including regulators, and to maintaining the trust that they have in us. As the custodian of our customers' wealth, we also hold ourselves accountable for upholding the highest standards of ethics and integrity. This helps to ensure that UOB remains a source of stability, security and strength for our stakeholders.

Strong Compliance Culture

Governments and regulators, in protecting the integrity of the financial system, continue to introduce new measures to address opportunities and challenges arising from technological advances, changing consumer behaviour and preferences and to manage increasing risks of cyber threats and financial crime.

New laws, regulations and standards are also being developed around the world to mitigate the potential impact that business activities may have on the environment and society.

In tandem with increasing regulatory emphasis on the outcomes driven by the reforms, financial institutions are continually assessing and adjusting their policies and processes to ensure compliance and best practices are in place.

As a trusted financial institution, UOB is committed to complying with the laws and regulations in the countries and territories in which we operate.

We have robust protocols and processes in place to guard against all forms of financial crime including, but not limited to bribery and corruption, fraud, money laundering and terrorism financing activities and insider trading. We also respect the laws and regulations pertaining to environmental, social and economic impact, product and service information and labelling and marketing communications which includes advertising, promotion and sponsorship.

In 2018, there was no significant fine, penalty or sanction imposed on the Bank for non-compliance in relation to any of the above.

In addition, our compliance programmes are designed and implemented to comply with international standards such as the Volcker Rule, Foreign Account Tax Compliance Act (FATCA) and the Organisation for Economic Co-operation and Development (OECD)'s Common Reporting Standard (CRS).

In maintaining our values-based compliance culture, we also monitor regulatory and industry developments closely, engage with regulators, policymakers and standards-setting bodies actively, and enhance the compliance capabilities within our organisation continually.

Aligned with the standards and guidance provided in the Basel Committee on Banking Supervision's *Compliance and the Compliance Function in Banks* paper, the UOB Group Compliance function is responsible for identifying, assessing, monitoring and managing regulatory compliance risks. It assists the senior management committees and the Board in ensuring that the Group's activities are conducted in accordance with laws and regulations through periodic compliance reviews. Further, it provides updates on regulatory trends and developments to the senior management committees and the Board regularly.

Anti-Money Laundering and Countering Terrorism Financing

Our Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) framework aims to detect and to prevent the risks associated with money laundering, terrorist financing and sanctions. The framework includes programmes relating to risk assessment, employee training, customer due diligence and transaction monitoring.

We require all employees to comply with UOB's Group Anti-Money Laundering, Countering the Financing of Terrorism and Sanctions Policy and applicable laws.

We review regularly our framework, policies, procedures, programmes and transaction monitoring systems to ensure their robustness and compliance with regulatory requirements. A dedicated senior management committee has governance oversight of the Group's AML/CFT- and sanction-related matters. The framework and the associated programmes are also audited by our internal and external auditors.

We also constantly enhance our AML/CFT- and sanctions-related systems and capabilities for the prevention and detection of such risks by harnessing technologies such as machine learning and data analytics.

In addition, we run regular training sessions on AML/CFT and sanctions risk management to help our colleagues across business and support units and our international network be more aware of and understand potential issues on the subject.

Prohibiting Insider Trading

All UOB employees are expected to act honestly and with integrity, including with regard to the information that they obtain in the course of their work. All are required to adhere to the UOB Group Policy on Personal Trading in Securities, which governs the prohibition of insider trading and sets the framework for the management of insider trading risks. They are also required to complete annually an online learning module on insider trading and market misconduct.

We also have in place a pre-trade clearance system that requires employees, who may reasonably be expected to have access to inside information, to make declarations and to seek approval before executing their trades on the stock exchanges. In addition, Group Compliance regularly reviews securities transactions to detect potential violations.

Anti-Corruption

We adopt a zero-tolerance approach to bribery and corruption and our employees are expected to conduct their business activities in full compliance with applicable laws and regulations.

The UOB Code of Conduct, which sets the requirement for all employees to uphold the highest professional and ethical standards, includes our policies relating to anti-bribery such as facilitation payments, restrictions on gifts and entertainment expenses, and conflicts of interest. Our anti-corruption policy also applies to those who represent us, including contract employees and vendors.

New employees are required to complete an online learning module and assessment on the UOB Code of Conduct and the UK Bribery Act 2010. Subsequently, all employees are required to complete a refresher course on both topics every year.

In addition, our whistle-blowing procedures ensure that employees can report any concerns in a private, confidential and secure manner.

Foreign Account Tax Compliance Act (FATCA)

Under the provisions of United States' (US) tax law, FATCA, non-US financial institutions are required to identify and to report information on assets held by US persons and other non-cooperative entities and individuals to the US Internal Revenue Service. Many countries, including Singapore, have entered into intergovernmental agreements with the US to facilitate the reporting required under FATCA.

We are committed to complying with the provisions of FATCA and to ensuring that the Group meets all applicable FATCA requirements in all the jurisdictions in which we operate. Our governance framework also ensures that the Group continues to comply with FATCA requirements on a business-as-usual basis.

Common Reporting Standard (CRS)

The CRS is a global tax information exchange standard developed by the OECD to prevent offshore tax evasion. The CRS requires financial institutions in participating jurisdictions to identify, to collect and to report to the authorities annually the tax residency information of customers from jurisdictions with which agreements to exchange information are in place.

Our CRS operationalisation programme ensures the Group meets all applicable CRS requirements in all the participating jurisdictions in which we operate.

Stakeholder Engagement

At UOB, we believe that constructive dialogue and collaboration with our stakeholders are important for creating and maintaining meaningful and mutually beneficial relationships. Continual stakeholder engagement keeps us abreast of changes, open to possibilities and focused on staying relevant to our stakeholders. This is essential for us to continue meeting the financial needs of our customers, developing meaningful careers for our people and making a difference in the communities in which we operate.

Engaging Our Stakeholders

We regularly seek our stakeholders' views and expectations through conversations, collaboration and research. By our taking an inclusive approach, we hope they in turn will have a deeper understanding of our purpose, practices and performance. During the year, we also sought feedback from institutional investors and analysts, regulators and non-governmental organisations (NGOs) in our review of the environmental, social and governance (ESG) factors most material to the Bank.

In 2018, UOB received Special Recognition for Stakeholder Engagement and Materiality category at the Singapore Sustainable Business Awards 2018 for our disclosure on material ESG topics in the UOB Annual Report 2017.

Summary of Our Stakeholder Groups and Their Expectations

Stakeholders and How We Engage with Them	What They Expect	How We Continue to Meet Their Expectations	Our Efforts in 2018
Customers			
<ul style="list-style-type: none"> • Face-to-face meetings • Interactions at branches • Post-transaction customer surveys • Contact centre service • Marketing and advertising campaigns • Website and social media channels and campaigns • Events and seminars, including workshops on sustainability • News generated/covered in the media 	<ul style="list-style-type: none"> • Fair products, services and treatment • Reasonable fees • Responsible financial advice • Secure transactions • Protection of data and privacy • Convenient access to products and services • Prompt service and resolution of complaints • Information on developments of our business • Relevant and timely information on products and services • After-sales care • Knowledgeable employees 	<ul style="list-style-type: none"> • Maintaining the highest professional and ethical standards in all our dealings with our customers • Focusing on both the personal and business financial needs of our customers when developing our products and services • Ensuring that our people are equipped and committed to advise and to act in the best interests of our customers • Providing relevant information and advice 	<ul style="list-style-type: none"> • Digitalised full application processes in Singapore for deposit, card and loan products • Established partner ecosystems, such as in the areas of property and automotive in Singapore, as well as with Grab and Razer Inc, to offer more convenient financial solutions for consumers and businesses • Partnered technology companies to deepen our engagement of our customers and for more effective credit assessment of potential customers

Stakeholders and How We Engage with Them	What They Expect	How We Continue to Meet Their Expectations	Our Efforts in 2018
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Customers (continued)			
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| <ul style="list-style-type: none"> • Providing our customers with clear and transparent information so that they can make informed financial decisions • Ensuring access to our banking products and services through our omni-channel and extensive network of customer touchpoints • Addressing customer feedback independently, effectively and promptly • Ensuring the robustness of our monitoring and risk management systems to maintain a secure banking environment | <ul style="list-style-type: none"> • Built the first mobile-only bank for ASEAN's digital generation • Set up an Engagement Lab to anticipate our customers' needs • Enhanced our UOB Mighty app through features such as Mighty FX • Launched branch concepts in Malaysia, Singapore and Thailand to suit the needs of different customer segments • Added 112 contactless automated teller machines to our Singapore network • Extended UOB BizSmart, our cloud-based integrated business solution, to small businesses in Malaysia and Thailand • Helped small- and medium-sized enterprises (SMEs) in Singapore to develop and to deepen their digital capabilities by connecting them to our partner ecosystems and through The FinLab's Smart Business Transformation programme • Deepened our product capabilities and expanded our industry coverage across our key markets through our Sector Solutions approach to serve the needs of corporate clients better • Signed collaboration agreements with government, trade and commercial organisations to help facilitate the expansion plans of our corporate clients • Held client seminars to share our insights into market and industry developments as well as sustainability trends • Achieved a 63 per cent rise in customer compliments and an 11 per cent decrease in complaints in Singapore |
|--|--|



Stakeholder Engagement

Stakeholders and How We Engage with Them	What They Expect	How We Continue to Meet Their Expectations	Our Efforts in 2018
Colleagues			
<ul style="list-style-type: none"> • Frequent CEO communication to all colleagues on regular and topical subjects • One-on-one sessions with managers • Online and mobile employee portal with informative, collaborative and social features • HR policies and procedures • Periodic performance reviews • Employee satisfaction survey • Regular town hall meetings • Open-door dialogue and transparent communications between management and employees • Training and workshops • Employee volunteerism programmes • Inter-departmental games and recreational activities 	<ul style="list-style-type: none"> • Trust and respect • Career development • Job satisfaction and recognition • Fair employment practices • Competitive wages and benefits • Work-life harmony • Workplace well-being • Safe work environment • Information relevant to their work 	<ul style="list-style-type: none"> • Upholding a values-based and risk-focused organisational culture • Ensuring fair and equitable opportunities for all colleagues • Ensuring fair HR policies and processes • Encouraging feedback • Ensuring transparent and objective performance appraisals, and performance-based rewards and recognition • Providing opportunities for training and development to build skills for the digital economy • Empowering our people to take ownership of their career paths • Enabling our colleagues to be informed and engaged to contribute effectively • Promoting teamwork and supporting one another to achieve shared goals • Providing flexible work arrangements • Offering health and wellness benefits • Maintaining workplace health and safety • Enabling colleagues to give back to the community through volunteer initiatives 	<ul style="list-style-type: none"> • Invested \$26 million in training for our colleagues across the Group • Increased the average number of training hours per person to 46.1 hours • Extended our Leadership Right By You programme to China, Hong Kong and Indonesia, with close to 1,200 colleagues across the Group participating in the programme • Continued the Professional Conversion Programme and the UOB SUMMIT programme in Singapore to upgrade our colleagues' skillsets and to prepare them for the future • Incorporated employee feedback in enhancing training programmes and people management skills Group-wide • Added 360-degree feedback to the performance assessment process for all managing directors in the Group • Upgraded our training facilities in Singapore and Indonesia to enhance our colleagues' learning experience • Designed and constructed offices in Singapore to promote mobility and collaboration among our colleagues • Launched a fitness centre for our colleagues in Thailand • Reimbursed \$16.9 million worth of health and wellness benefits through our HEAL programme for our colleagues in Singapore and China • Recognised 15 teams for their achievements in productivity and innovation, and celebrated the dedication of 870 long-serving colleagues • Awarded 90 individuals and 35 teams for being role models of our customer commitments

Stakeholders and How We Engage with Them	What They Expect	How We Continue to Meet Their Expectations	Our Efforts in 2018
Community			
<ul style="list-style-type: none"> • Participation in governments' employment creation initiatives • Support of national movements to build inclusive communities • Hiring of persons with autism or deaf persons at the UOB Scan Hub • Disclosure of responsible financing and investment initiatives • Annual regional art competition • Partnerships with art galleries, art patrons and social service organisations • Art roadshows and outreach programmes • Education programmes for children • University scholarships • Financial literacy initiatives • Annual charity run/walk • Fundraising events • Donations in cash or in kind to support causes related to art, children and education 	<ul style="list-style-type: none"> • Inclusive employment opportunities • Contribution to local job creation and economic growth • Good corporate citizenry • Responsible financing and investment 	<ul style="list-style-type: none"> • Creating and maintaining an inclusive workplace • Offering jobs to local talent • Encouraging strategic investments that drive economic growth and social development • Integrating ESG considerations into our risk assessment and credit decision processes • Giving back to the community through corporate social responsibility programmes focused on art, children and education 	<ul style="list-style-type: none"> • Increased the number of UOB Scan Hub colleagues with special abilities to 33 per cent • Employed local talent, who account for 95 per cent of colleagues in our key markets • Provided financing to projects developing clean energy and infrastructure, and promoting energy efficiency • Supported the United Nations Sustainable Development Goals further through responsible investments by UOB Asset Management and UOB Venture Management (UOBVM) • Made monetary contributions of more than \$5.1 million to communities in Asia • Clocked more than 51,000 hours in employee volunteer work across the region • Championed Southeast Asian art through our flagship UOB Painting of the Year Competition, the opening of UOB Art Galleries in China and Malaysia, as well as a comprehensive range of visual art programmes, partnerships and outreach activities across the region • Established partnership with Museum MACAN (Indonesia) and continued partnership with National Gallery Singapore • Launched a postgraduate scholarship programme on Data and Analytics with the Singapore Management University • Supported education programmes and initiatives, including financial literacy programmes, for underprivileged children across the region • Raised funds through new mobile channels • Raised funds through regional events such as the UOB Heartbeat Run/Walk, to help underprivileged and special needs children in Asia



Stakeholder Engagement

Stakeholders and How We Engage with Them	What They Expect	How We Continue to Meet Their Expectations	Our Efforts in 2018
Investors and Analysts			
<ul style="list-style-type: none"> • Quarterly financial reports and results briefings • Periodic meetings with rating agencies • General meetings with shareholders • Annual reports • SGXNet announcements • Presentations, conferences and roadshows • Annual Corporate Day • Ongoing feedback from analyst surveys • Feedback from institutional investors and ESG analysts on our sustainability efforts 	<ul style="list-style-type: none"> • Stable and sustainable growth and profitability • Reasonable returns to shareholders • Balance sheet strength through economic cycles • Responsible financing and investment • Strong corporate governance and transparency • Timely disclosures 	<ul style="list-style-type: none"> • Ensuring strong oversight and accountability by an experienced and competent Board and Management team • Ensuring high standards of corporate governance, transparency and disclosure • Adopting a disciplined and measured approach towards business risks and opportunities • Ensuring robust risk culture, governance and management • Implementing responsible financing guidelines • Ensuring timely disclosure and reporting 	<ul style="list-style-type: none"> • Issued bonds across various markets and diversified our investor base • Held more than 600 meetings with analysts and investors to share our corporate strategy, operational performance and business outlook • Paid dividends consistently, with the 2018 full-year dividend at \$1.20 per share • Participated in the Bloomberg Gender-Equality Index survey that was conducted in 2018 • Responded to the CDP 2018 Climate Change questionnaire • Enhanced our Investor Relations website to improve the user experience and engagement
Governments and Regulators			
<ul style="list-style-type: none"> • Regular meetings and engagement with local authorities • Consultations with regulatory bodies • Annual reports • Audit reports 	<ul style="list-style-type: none"> • Highest standards of corporate governance and ethical behaviour • Prevention of financial fraud and money laundering • Countering the financing of terrorism (CFT) • Maintaining financial stability • Taxes • Support of local economies and industries 	<ul style="list-style-type: none"> • Complying with applicable and current laws, regulations and policies • Maintaining sound risk management systems and processes • Preserving strong capital adequacy levels • Providing regular compliance training for our people • Conducting regular internal and external audits • Developing products and services for start-ups and SMEs 	<ul style="list-style-type: none"> • Enhanced our anti-money laundering (AML)/CFT- and sanctions related systems and capabilities • Ran training sessions on AML/CFT and sanctions risk management across the Group • Collaborated with NTUC U SME, a Singapore Labour Movement initiative, to offer UOB BizSmart to small businesses • Supported government initiatives such as the SMEs Go Digital programme in Singapore • Contributed to development of local economies through efforts such as providing infrastructure financing

Stakeholders and How We Engage with Them	What They Expect	How We Continue to Meet Their Expectations	Our Efforts in 2018
Suppliers			
<ul style="list-style-type: none"> • Requests for quotations and proposals • Vendor briefings • Purchase agreements • Annual reviews 	<ul style="list-style-type: none"> • Fair vendor selection process • Ethical conduct • Timely payment 	<ul style="list-style-type: none"> • Ensuring integrity in all purchasing decisions • Adhering to agreement terms 	<ul style="list-style-type: none"> • Created a Central Procurement Office to improve efficiency and to ensure ethical conduct in our purchasing decisions
Media			
<ul style="list-style-type: none"> • News releases and media statements • Media conferences • Media briefings • Media interviews • Ongoing engagement sessions with media in person and online • Issuance of research reports and white papers • Social media platforms (Facebook, LinkedIn, WeChat) 	<ul style="list-style-type: none"> • Timely, topical and transparent information on subjects of relevance to the Bank, industry and the communities in which we operate • Prompt and accurate reporting of corporate news such as financial results • Access to senior executives with specific industry expertise for media interviews 	<ul style="list-style-type: none"> • Providing regular statements and briefings to update the media and the public on our business developments, initiatives and progress • Ensuring prompt and relevant responses to media queries • Ensuring the availability of our spokespeople on topics of relevance to the Group, industry and the communities in which we operate • Sharing thought leadership to demonstrate UOB's insight into the markets and industries 	<ul style="list-style-type: none"> • Interacted regularly and frequently with the local, regional and international media • Issued more than 120 news releases in our key markets to keep the media abreast of developments in UOB's corporate strategy, business performance and initiatives • Published two white papers on digital trends related to SMEs and FinTechs • Produced multi-media content to provide clarity on details of announcements • Managed media interviews in conjunction with news releases • Ran more than 50 media engagement sessions • Facilitated monthly media one-on-one sessions with senior management • Responded promptly and relevantly to media queries • Held biannual media conferences on financial results • Generated social media content to increase awareness



Stakeholder Engagement

Stakeholders and How We Engage with Them	What They Expect	How We Continue to Meet Their Expectations	Our Efforts in 2018
Other Financial Institutions, And Industry And Trade Associations			
<ul style="list-style-type: none"> • Membership, governance and committee positions in industry associations • Industry-wide workgroups and meetings • Conferences and forums 	<ul style="list-style-type: none"> • Collaboration and contribution to industry-wide initiatives 	<ul style="list-style-type: none"> • Participating in and contributing actively to industry-wide efforts to ensure the long-term sustainability of the financial services sector and sectors to which our clients belong 	<ul style="list-style-type: none"> • Played an active role in the launch of industry-wide contactless payment initiatives, including PayNow Corporate in Singapore, PromptPay in Thailand, DuitNow in Malaysia, Faster Payment System in Hong Kong and NAPAS IBFT in Vietnam • Worked closely with trade bodies such as the Singapore Business Federation and the Indonesia Investment Coordinating Board to help businesses in their regional expansion • Supported The Association of Banks in Singapore (ABS) and the ASEAN Bankers Association on capacity-building workshops to equip financial practitioners with the necessary skills to manage ESG-related risks • Worked with ABS on an industry-wide e-learning portal on responsible financing to strengthen the ESG capabilities of banks in Singapore • UOBVM became a signatory to the Singapore Stewardship Principles for Responsible Investors, which was developed by the Investment Management Association of Singapore
Non-Governmental Organisations (NGOs)			
<ul style="list-style-type: none"> • Telephone meetings • Face-to-face meetings • Conferences and seminars • Cooperation in joint programmes 	<ul style="list-style-type: none"> • Deeper engagement and collaboration on ESG issues • Climate change mitigation and adaptation • More financing for clean and efficient technologies • Responsible financing • Respect for human rights 	<ul style="list-style-type: none"> • Participating in NGO surveys • Engaging NGOs to seek their views on our sustainability strategy, approach and initiatives 	<ul style="list-style-type: none"> • Strengthened our ESG-related disclosures, which led to UOB being ranked second among ASEAN banks in the Sustainable Banking Assessment 2018 • Established a collaborative effort with Asia Sustainable Finance Initiative to explore more effective integration of ESG considerations into our operations

Membership of Associations

In Singapore, where we are headquartered, UOB and our subsidiaries are active members of a number of industry associations. We hold governance, committee or strategic membership positions in organisations including:

- Asia Venture Philanthropy Network
- Asian Bankers Association
- Asian Financial Cooperation Association
- Association Cambiste Internationale Financial Market Association Indonesia
- Communication Forum of Bank Compliance Directors (Indonesia)
- Economic Society of Singapore
- Indonesia Association of International Banks
- Indonesian Banks Association
- Indonesia Fintech Association
- Institute of Banking and Finance Singapore
- Institute of Policy Studies (Singapore)
- International Chamber of Commerce
- Investment Management Association of Singapore
- Payment System Association of Indonesia
- Shanghai Banking Association
- Shanghai Over-the-Counter Commodity Derivatives Association
- Shanghai-Singapore Business Association
- Singapore Business Federation
- Singapore Chamber (Beijing)
- Singapore Chamber of Commerce Indonesia
- Singapore Chinese Chamber of Commerce and Industry
- Singapore Institute of Directors
- Singapore Institute of International Affairs
- Singapore-Thai Chamber of Commerce
- Singapore Venture Capital & Private Equity Association
- Thai Bankers' Association
- Thai Institute of Directors
- The Association of Banks in Malaysia
- The Association of Banks in Singapore
- The Association of International Banks, Thailand
- The Association of Islamic Banking and Financial Institutions Malaysia
- The Thai Chamber of Commerce
- Vietnam Business Forum's Banking Working Group



Sustainability Scorecard

Performance Indicators	2018	2017	2016
Customers			
Number of customers ¹ – (millions)	4.88	4.84	4.65
Access to Financial Services			
Number of branches	469	467	470
Number of branches – Singapore only	59	58	62
Number of ATMs	1,669	1,668	1,661
Number of ATMs – Singapore only	758	766	754
Number of contactless ATMs – Singapore only	382	270	38
Number of Ability ATMs ² – Singapore only	20	20	20
Digital Transformation			
Online penetration rate for retail customers (%)	63	54	51
Online penetration rate for retail customers – Singapore only (%)	89	82	81
Mobile banking users as a percentage of active online banking users (retail customers) (%)	59	54	45
Online penetration rate for corporate/SME clients (%)	69	60	52
Number of contactless point-of-sale merchant terminals – Singapore only	16,712	10,432	5,723
Customer Experience and Advocacy			
Customer compliments – Singapore only	36,985	22,687	15,486
Complaints relating to sale of investment and insurance products – Singapore only (%)	0.20	0.37	0.52
Lending Profile (\$ billion)			
Loans to small businesses	10.0	9.7	9.4
Loans to medium businesses	46.0	41.0	40.1
Loans to large businesses	107.6	91.4	88.0
Loans to individuals	98.1	93.9	88.1
Colleagues³			
Permanent	25,250	24,146	23,904
Permanent – Singapore only	8,714	8,349	8,642
Local (%)	94.9	95.5	95.9
New hires	7,220	6,195	5,715
Female (%)	61.4	61.7	61.5
Female senior management (%)	34.5	36.4	35.9
Female middle management (%)	51.8	51.6	52.1
Female department heads (%)	45.0	40.0	47.4
Female supervisors or managers (%)	51.7	52.8	53.5
Average training hours per headcount	46.1	43.3	36.6
Training expenditure per headcount (\$)	992.3	845.5	788.9
Employee attrition rate (%)	21.0	20.9	20.6
Community			
Monetary contributions (\$ million)	5.1	4.5	4.5

Performance Indicators	2018	2017	2016
Environment^{4,5,6}			
Electricity consumption (GWh)	129.39	125.78	125.33
Average energy intensity excluding data centres (kWh per m ² of floor space)	171.07	170.98	177.44
Average energy intensity including data centres (kWh per m ² of floor space)	223.29	220.16	224.79
Scope 2 GHG emissions ^{7,8} (thousand tCO ₂ e)	70.07	68.12	67.81
Scope 2 GHG emissions excluding data centres (kg CO ₂ e per m ² of floor space)	97.15	96.91	100.10
Scope 2 GHG emissions including data centres (kg CO ₂ e per m ² of floor space)	120.98	119.30	121.62
Scope 3 Air Travel Emissions ⁹ (thousand tCO ₂ e)	3.49	2.94	2.61
Water consumption (thousand m ³)	849.27	832.00	841.38
Water consumption intensity (m ³ of water per m ² of floor space)	1.23	1.23	1.31
Office paper purchased (tonnes)	1,208.84	1,171.26	1,152.45
Waste recycled (tonnes)	493.30	457.06	459.77
Waste landfilled (tonnes)	627.50	623.05	517.62
Waste-to-energy incineration (tonnes)	738.32	767.25	842.44
Waste disposal intensity ¹⁰ (kg of disposed waste per m ² of floor space)	1.98	2.05	2.12
Economic Value of Contributions (\$ million)			
Total operating income ¹¹	9,116	8,563	7,790
Profit after tax ¹²	4,008	3,390	3,096
Dividends to shareholders	2,052	1,254	1,232
Employee compensation and benefits	2,447	2,224	2,050
Income tax to governments	805	800	669
Suppliers⁶			
Total purchase (\$ million)	1,639	1,386	1,324
Purchase from local suppliers (%)	93.5	92.3	93.1

1 Includes customers of Group Retail, Group Wholesale Banking and UOB Asset Management only.

2 Ability ATMs are designed to provide visually impaired customers with audio assistance.

3 Applies to UOB Group and includes permanent and contract employees unless stated otherwise.

4 The previous year figures for resource consumption, emissions and waste have been retrospectively adjusted to account for the impact of branch locations and data centres, i.e. in addition to existing data pertaining to office spaces.

5 The previous year figures for resource consumption, emissions and waste have been retrospectively adjusted to exclude UOB-owned spaces that are leased to tenants.

6 All resource consumption intensity, emissions intensity and waste disposal intensity figures comprise of data from our six key markets in Singapore, Indonesia, Malaysia, Thailand and China (including the Mainland and Hong Kong).

7 tCO₂e: tonnes of carbon dioxide-equivalent.

8 In accordance with the Greenhouse Gas Protocol guidelines, emissions figures have been retrospectively adjusted to account for acquisitions or divestments of real estate assets, by including or deducting the full-year emissions of each asset back to the year in which they came into existence or operation.

9 The 2016 and 2017 emissions for Malaysia and China have been restated as more comprehensive data became available.

10 Includes both landfilled and incinerated waste.

11 With effect from 1 January 2018, total operating income is presented net of fee and commission expense. The comparative figures have been restated to conform with the current period's presentation.

12 Relates to the amount attributable to equity holders of the Bank.

Notes:

- The above data, extracted from internal systems and records, covers the period from 1 January 2016 to 31 December 2018, and includes UOB's subsidiaries unless stated otherwise.
- Internationally accepted measurement units have been used in presenting the information. The basis for data calculation is discussed in the relevant sections within this report.

Feedback

Your views are important to us. Please send your comments, questions or suggestions to sustainability@UOBgroup.com

Awards and Accolades

Acquisition International Magazine

2018 Hedge Fund Awards

- Best Alternative Investment Manager – Asia & Best Multi-Strategy FoHF (Fund of Hedge Funds) (since inception)
 - ▶ Asia Alpha Fund, UOB Alternative Investment Management

ASEAN Capital Markets Forum and Asian Development Bank

ASEAN Corporate Governance Scorecard 2018

- Top 10 ASEAN Public Listed Companies
- One of Two Most Improved Public Listed Companies (Singapore)
- Outstanding Progress Award

Asiamoney

New Silk Road Finance Awards 2018

- Regional Bank of the Year for BRI (Belt and Road Initiative) in Southeast Asia

Cash Management Survey 2018

- Best Bank by Services in Singapore as voted by corporates
- Best Bank by Tech Provision Rankings in Singapore as voted by corporates

Asia Asset Management

2018 Best of the Best Awards

- Best Performance, Asian Bonds (10 years)
 - ▶ UOB Asset Management

Asian Banking & Finance (ABF)

ABF Wholesale Banking Awards 2018

- Malaysia International Cash Management Bank of the Year
 - ▶ UOB (Malaysia)

ABF Corporate & Investment Banking Awards 2018

- Debt Deal of the Year – Singapore
 - ▶ Singapore Airlines S\$700 million 8-year notes
- Mergers & Acquisitions (M&A) Deal of the Year – Singapore
 - ▶ S\$2.24 billion acquisition of United Engineers by the Yanlord-Perennial Consortium

ABF Retail Banking Awards 2018

- Debit Card Initiative of the Year – Singapore
- Financial Inclusion Initiative of the Year – Singapore
- Mobile Banking Initiative of the Year – Singapore
- Online Banking Initiative of the Year – Vietnam
 - ▶ UOB (Vietnam)
- Silver, Employer Award of The Year – Indonesia
 - ▶ UOB Indonesia

BrandAge Magazine

Thailand's Most Admired Brand 2018

- Ranked 6th, Most Trusted Bank for Small- and Medium-Sized Enterprises (SME)
 - ▶ UOB (Thai)
- Ranked 6th, Most Trusted Credit Card
 - ▶ UOB (Thai)

Cards International and Electronic Payments International

Cards & Electronic Payments International Asia Awards

- Best Card Offering (Southeast Asia)
 - ▶ UOB Reserve Card
- Best Debit Card Product for Asia Pacific
 - ▶ KrisFlyer UOB Account and Debit Card
- Best Commercial Card Product for Asia Pacific
 - ▶ UOB Virtual Payment Solution
- Best Corporate Social Responsibility (CSR) Initiative
 - ▶ UOB PayNow for a Cause
- Best Peer-to-Peer Payments Initiative
 - ▶ UOB MyKey and UOB Mighty Ang Bao Challenge
- Highly Commended, Best Card Design
 - ▶ KrisFlyer UOB Account and Debit Card

Centre for Organisational Excellence Research

6th International Best Practice Competition

- Runner-Up, Organisation-Wide Innovation Award

Community Chest

Community Chest Awards 2018

- Charity Platinum Award

Contact Centre Association of Singapore (CCAS)

CCAS International Contact Centre Awards 2018

- Gold, Best Contact Centre Team Leader of the Year (Above 100 seats)
- Silver, Best Contact Centre Team Leader of the Year (Above 100 seats)
- Silver, Customer Experience Mystery Shopper Awards (Voice)
- Bronze, Best Contact Centre Quality Assurance Specialist of the Year

Cloudera

2018 Data Impact Awards

- Special Impact – Business Transformation

Euromoney

Cash Management Survey 2018

- Best Service, (Non-Financial) Institutions in Singapore

Euromoney Private Banking and Wealth Management Survey 2018

- Best for Asset Management – Thailand
 - ▶ UOB Asset Management (Thailand)

Effie Awards

2018 Gold Award Winners

- Business to Business
 - ▶ UOB Business Insurance Fortune Cat Campaign
- Sustained Success
 - ▶ UOB's Values Endure Over Time Campaign

FinanceAsia

Achievement Awards 2018

- Best Local Currency Bond
 - ▶ Temasek Holdings S\$500 million 2.7% institutional and retail bond
- Best Singapore Deal
 - ▶ Merger between ESR-REIT and Viva Industrial Trust, S\$3 billion (US\$2.2 billion) asset base

HRoot

HRoot Awards 2018

- Best HR Center of Excellence in Greater China
 - UOB (China)

Human Resources Magazine

HR Excellence Awards 2018 (Malaysia)

- Bronze, Excellence in Innovative Use of HR Tech

Institute of Advertising Singapore

Hall of Fame 2018 Award

- Gold, Best Use of Consumer Insights
 - UOB Generations Brand Campaign
- Silver, Best Media Partnership Campaign
 - UOB BizSmart Campaign
- Silver, Best Use of Consumer Insights
 - UOB Business Insurance Fortune Cat Campaign
- Bronze, Best Integrated Media Campaign
 - UOB Stash Account Launch

International Data Corporation (IDC)

Regional IDC Digital Transformation Awards 2018

- Asia/Pacific Information Visionary of the Year

IDC Digital Transformation (DX) 2018 – Singapore

- DX Leader of the Year
- Information Visionary of the Year
- Talent Accelerator of the Year

IDC Financial Insights Innovation Awards 2018

- Asia/Pacific's Leader in Business Automation Excellence in Banking RPA (Robotics Process Automation)

IFR Asia

IFR Asia Awards 2018

- Singapore Capital Markets Deal
 - Temasek Holdings S\$500 million retail bond

Institute of Singapore Chartered Accountants, Investment Management Association of Singapore, Securities Investors Association (Singapore), Singapore Exchange Limited, Singapore Institute of Directors and The Business Times

Singapore Corporate Awards 2018

- Bronze, Best Managed Board Award for Companies with S\$1 billion and above in market capitalisation

International Finance

International Finance – Financial Awards 2018

- Best Asia Fixed Income House – Singapore
 - UOB Asset Management
- Best Asset Management Firm – Singapore
 - UOB Asset Management
- Best Alternative Investment Fund Management Company – Singapore
 - UOB Alternative Investment Management
- Fastest Growing Asset Management Company – Malaysia
 - UOB Asset Management (Malaysia)
- Fastest Growing Equity Fund – Malaysia
 - UOB Asset Management (Malaysia)
- Best Asset Management Firm – Thailand
 - UOB Asset Management (Thailand)

International Financial News

2018 Pioneer Financial Institution Awards

- Best Retail Bank
 - UOB (China)

J.P.Morgan

2018 Elite Quality Recognition Award

- Outstanding Achievement of Best-in-Class
 - MT202 STP Rate 99.94%, UOB Indonesia

Human Resources (HR)

HR Excellence Awards 2018

- Silver, Excellence in CSR Strategy

Lujiazui Financial City

Lujiazui Annual Charity Awards

- Best Charitable Contribution Award
 - UOB Heartbeat Run/Walk, UOB (China)

Marketing Magazine

Mob-Ex Awards 2018 Singapore

- Gold, Best Campaign – CRM (Customer Relationship Management), Loyalty and Engagement
 - UOB Cards
- Gold, Best Solution – Mobile Advertising
 - UOB Dining Advisor
- Gold, Best Solution – Mobile Site
 - Squirrel Away Your Cash With UOB Stash
- Silver, Best Campaign – Brand Awareness
 - UOB Cards
- Silver, Best Campaign – Mobile Launch/Relaunch
 - KrisFlyer UOB Account and Debit Card
- Silver, Best Campaign – Original Content
 - UOB Dining Advisor
- Silver, Best Campaign – Informative Use of Mobile
 - KrisFlyer UOB Account and Debit Card
- Silver, Best Campaign – Integration of Mobile
 - UOB Cards
- Silver, Best Solution – Mobile Advertising
 - UOB YOLO EAT!
- Bronze, Best Campaign – Location-Based Marketing
 - UOB YOLO EAT!
- Bronze, Best Campaign – Incentives and Rewards
 - UOB YOLO EAT!
- Bronze, Best Campaign – Integration of Mobile
 - KrisFlyer UOB Account and Debit Card
- Bronze, Best Campaign – Mobile Launch/Relaunch
 - Squirrel Away Your Cash With UOB Stash
- Bronze, Best Solution – Mobile site
 - KrisFlyer UOB Account and Debit Card

MARKies Awards 2018

- Best Idea – Apps/Mobile
 - KrisFlyer UOB Account and Debit Card
- Best Idea – Experiential
 - KrisFlyer UOB Account and Debit Card
- Best Idea – Launch/Relaunch
 - KrisFlyer UOB Account and Debit Card

Awards and Accolades

Loyalty & Engagement Awards 2018

- Overall Loyalty and Engagement 2018 Brand of the Year
- Gold, Best Card-Based Loyalty Programme
 - UOB Cards
- Gold, Best Loyalty Programme – F&B/Dining
 - UOB YOLO Eat!
- Gold, Best Use of Co-Creation/Crowd Sourcing
 - UOB YOLO Eat!
- Gold, Best Use of Contest/Promotions
 - UOB YOLO Eat!
- Gold, Best Use of CSR
 - UOB PayNow for A Cause
- Gold, Best Use of Experiential/Live Marketing
 - KrisFlyer UOB Account and Debit Card
- Silver, Best CRM Strategy
 - UOB Dining Advisor
- Silver, Best Use of Direct Marketing
 - UOB Cards
- Silver, Best Use of Relationship Marketing – B2C
 - UOB Cards
- Silver, Best Use of Social
 - UOB YOLO Eat!
- Silver, Most Innovative Loyalty Programme
 - UOB Cards
- Bronze, Best Customer Experience
 - UOB YOLO Eat!
- Bronze, Best Use of Brand Advocacy/Influencers
 - UOB Dining Advisor

Marketing Excellence Awards 2018

- Gold, Excellence in Corporate Social Responsibility
 - UOB Heartbeat Run/Walk
- Silver, Excellence in B2B Marketing
 - UOB Business Insurance Fortune Cat Campaign
- Silver, Excellence in Content Marketing/Native Advertising/Branded Content
 - UOB Cards
- Silver, Excellence in Corporate Social Responsibility
 - UOB PayNow for A Cause
- Silver, Excellence in Launch Marketing
 - UOB Mighty FX
- Silver, Excellence in Mobile Marketing
 - UOB PayNow for A Cause
- Bronze, Excellence in Integrated Marketing (B2B)
 - UOB BizSmart Regional Campaign
- Bronze, Excellence in Launch Marketing
 - UOB Travel Insider

Mastercard

Mastercard Award 2018

- Best Ladies Card Programme
 - UOB Lady's Card, UOB Indonesia

Ministry of Communication and Information Technology Republic of Indonesia

ASEAN ICT Awards 2018

- Silver, Private Sector Category

Money & Banking

Money & Banking Awards 2018

- Best Fund Award
 - United Income Focus Fund-A
 - UOB Asset Management (Thailand)

National Arts Council

Patron of the Arts Award 2018

- Distinguished Patron of the Arts

National Volunteer and Philanthropy Centre

Champions of Good 2018

- Champion of Good

People's Association

Community Spirit Award 2018

- Merit Award

Private Banker International and Retail Banker International

Customer Experience in Financial Services Summit 2018

- Best Technology Implementation – Front-End
- Best Customer Experience – Insurance
- Best Customer Experience – Mobile
- Best Customer Experience – Cards
- Best Use of Social Media
 - UOB (Thai)
- Highly Commended, Best Customer Experience – Branch
 - UOB (Thai)
- Highly Commended, Best Customer Experience – Banking
 - UOB (Thai)

Retail Banker International (RBI)

RBI Asia Trailblazer Awards 2018

- Best Payment Innovation
 - UOB Mighty
- Best Retirement Product and Service Initiative
 - UOB Income Builder
- Best Savings Plan Offering
 - UOB Stash Account
- Excellence in Mobile Banking – Overall
- Excellence in Internal Communications
 - UOB (Thai)
- Most Creative Marketing Collaboration
 - UOB Income Builder
- Highly Commended, Best App for Customer Experience
 - UOB Mighty
- Highly Commended, Best New Product Service or Innovation Launch
 - Krisflyer UOB Account and Debit Card
- Highly Commended, Best Loan Offering
 - Single-Step BT SMS Application
- Highly Commended, Excellence in Customer Centricity
 - UOB (Thai)
- Highly Commended, Excellence in Loan Origination
 - Single-Step BT SMS Application

Service Excellence Magazine and Carre-Centre for Customer Satisfaction Loyalty

Contact Center Service Excellence Award 2018

- Exceptional Service for Regular Banking
 - UOB Indonesia
- Exceptional Service for Regular Credit Card
 - UOB Indonesia

Shanghai Banking Association

2018 Shanghai Banking Association Annual Award

- Best Public Relations Case Awards of Shanghai Banking Industry
 - UOB (China)

SkillsFuture

- SkillsFuture Employer Awards (Non-SME) 2018

SWA Magazine in collaboration with Management Institute of the Economics Faculty, University of Indonesia

HR Excellence Awards 2018

- Rating A, Learning and Development
 - UOB Indonesia
- Rating A, HR Technology
 - UOB Indonesia
- Rating BB, HR Transformation
 - UOB Indonesia

The Asian Banker

The Banker's Choice Awards

- Best Balance Sheet Management in Asia Pacific
- Best Financial Supply Chain Management in Singapore
- Best Supplier Relationship Management in Indonesia
 - UOB Indonesia

Excellence in Retail Financial Services Awards

- The Best Credit Evaluation Initiative, Application or Programme
 - Credit underwriting engine
- The Best Foreign Retail Bank in Thailand
 - UOB (Thai)
- The Best Digital Sales Initiative, Application or Programme
 - WOW! Service & Referral Programme in Single Captain Role, UOB (Thai)

Risk Management Awards

- The Credit Risk Technology Implementation of the Year

Transaction Awards

- The Best Transaction Bank in Singapore
- The Best Cash Management Bank in Singapore
- The Best Trade Finance Bank in Singapore

Strongest Bank by Balance Sheet in Asia Pacific 2018

- Ranked 12th of 500

The Asset

Benchmark Research Awards 2018

- Highly Commended: The Most Astute Investor in Asian Currency Bonds for 2018
 - UOB Asset Management

Islamic Finance Awards 2018 – Best Deals

- Capital Markets
 - Best Structured Finance *Sukuk*, UOB (Malaysia)

Private Banking, Wealth Management, Investment and Exchange-Traded Fund Awards

- Rising Star, China's Best Wealth Manager
 - UOB (China)

Triple A Asia Infrastructure Awards 2018

- Transport Deal of the Year, Australia
 - Melbourne Metro Tunnel & Stations PPP Syndicated Bank Debt Facility

Triple A Country Awards 2018

- Best Syndicated Loan, Indonesia
 - Export-Import Bank of Indonesia US\$1.15 billion term loan facilities
- Best M&A, Malaysia
 - CVC Capital Partners Asia Fund IV acquisition of 100% stake of Munchy Food Industries
- Best Local Currency Bond, Malaysia
 - Mercedes Benz Services Malaysia RM250 million fixed rate notes
- Best Local Currency Bond, Singapore
 - Land Transport Authority S\$1.5 billion 40-year fixed rate notes
- Best FIG (Financial Institution Group) Bond, Singapore
 - UOB £350 million covered bond

Triple A Treasury, Trade, Supply Chain & Risk Management Awards 2018

- Asian Champion Solutions
 - Best Supply Chain Solution (Regional) – Huawei Group
 - Best Supply Chain Solution (Thailand) – Huawei Technology Thailand
- Best Banks, ASEAN/Australia
 - Best in Treasury and Working Capitals, LLCs (Indonesia)
 - Best Service Providers, Cash Management (Indonesia)
 - Best Service Providers, Liquidity Management (Singapore)
- FMCG (Fast-Moving Consumer Goods)/Retail Solutions
 - Best Cash Management Solution (China) – CP Lotus
 - Best Working Capital Solution (Malaysia) – Padini Holdings
- Industrial Solutions
 - Best Cash Management Solution (Regional) – McConnell Dowell South East Asia Pte Ltd
 - Best Cash Management Solution (Indonesia) – PT McConnell Dowell Indonesia
 - Best Structured Trade Finance Solution (Indonesia) – PT Hutama Karya (Persero)
- Best Manufacturing Solutions
 - Best Supply Chain Solution (Regional) – Phillips Lighting
 - Best Trade Financial Solution (Regional) – Southland Rubber Group
- SME Solutions
 - Best Supply Chain Solution (Indonesia) – PT Eurokars Motor Indonesia
 - Best Cash Management Solution (Indonesia) – PT Primantra Wisesa Sejahtera
 - Best Cash Management Solution (Indonesia) – PT Travel Recommends Indonesia
 - Best Cash Management Solution (Singapore) – Tunglok Group
- Utility Solutions
 - Best Cash Management Solution (Thailand) – Provincial Electricity Authority

Awards and Accolades

The Association of Banks in Singapore

ABS Excellent Service Award 2018

- Star Award – 842 winners
- Gold Award – 136 winners
- Silver Award – 278 winners

The Digital Banker

Global Retail Banking Innovation Summit & Awards 2018

- Retail Bank of the Year
- Best Payment Innovation
 - ▶ KrisFlyer UOB Account and Debit Card
- Outstanding Customer Service Transformation
 - ▶ UOB's Digital Car Financing Solution
- Best New Product Launch
 - ▶ UOB's Digital Car Financing Solution
- Best ATM Innovation
 - ▶ UOB Contactless ATMs
- Highly Acclaimed, Credit Card of the Year
 - ▶ UOB YOLO
- Highly Acclaimed, Outstanding IT Transformation
 - ▶ UOB Risk-First Tactical Framework
- Highly Acclaimed, Best Automated Advisory Service
 - ▶ UOB Risk-First Tactical Framework
- Highly Acclaimed, Outstanding Personalised 1:1 Marketing Initiative
 - ▶ Product Recommendation Engine
- Highly Acclaimed, Outstanding Financial Inclusion Initiative
 - ▶ UOB Fund Explorer
- Highly Acclaimed, Outstanding Client Onboarding & Account Opening
 - ▶ UOB's Digital Car Financing Solution
- Highly Acclaimed, Best Data Analytics
 - ▶ Personalised Engine and Omni-Channel Initiative
- Highly Acclaimed, Outstanding Social Media Marketing
 - ▶ UOB Cards Year-End Campaign

The Paper

2018 Top Financial Ranking

- Foreign Bank of the Year
 - ▶ UOB (China)

Thomson Reuters

2018 Thomson Reuters Lipper Fund Award Singapore

- Best Fund over 3 Years, Bond Asia Pacific HC: United Asian High Yield Bond – Class SGD Dis
 - ▶ UOB Asset Management

Treasury Today

Adam Smith Award Asia 2018

- Best Supply Chain Finance Solution
 - ▶ UOB (Malaysia)
- Highly Commended, Best Cash Management Solution Chain
 - ▶ UOB (China)

Visa Asia Pacific Security Summit 2018

- Champion Security Award 2018

Wealth & Finance International

Wealth & Finance Awards 2018

- Asia's Leading Alternative Investment Advisors 2018
 - ▶ UOB Alternative Investment Management

WealthAsia

Benchmark Fund of the Year Awards 2018 Singapore

- Manager of the Year (Asia Fixed Income)
 - ▶ UOB Asset Management
- Best-in-Class (Precious Metals Sector Equity)
 - ▶ United Gold & General Fund, UOB Asset Management

WealthBriefingAsia

WealthBriefingAsia Awards 2018

- Best Private Bank – Investment Management Platform
- Best Alternative Investment Manager
 - ▶ UOB Alternative Investment Management

Yicai Media Group

China Financial Value Ranking 2018

- Financial Institution of the Year for the Belt and Road Initiative
 - ▶ UOB (China)

Yicai CSR Awards 2018

- Sustainable CSR Partnership Award
 - ▶ UOB (China)

Zhaopin.com

China Best Employer Award 2018

- China's Best Employer Nationwide Top 100 Award
 - ▶ UOB (China)

51job.com

Top Graduate Employers 2018

- Top Graduate Employers China
 - ▶ UOB (China)

Employer Excellence China 2018

- Excellence in HR Management Strategy
 - ▶ UOB (China)

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries

31 December 2018

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Corporate Governance

As an organisation, we are committed to observing high standards of corporate governance, which is fundamental to the creation, protection and enhancement of our long-term value. The Board works with Management to ensure that good corporate governance principles are observed at all levels of the Bank.

UOB is listed on the Singapore Exchange Securities Trading Limited (SGX-ST) and its corporate governance practices, as set out in this Corporate Governance section, have complied with:

- the Banking (Corporate Governance) Regulations (Banking Regulations);
 - SGX-ST Listing Rules; and
 - all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (MAS Guidelines). The MAS Guidelines, issued in 2013, comprise the Code of Corporate Governance issued in 2012 (2012 Code) and supplementary principles and guidelines added by the Monetary Authority of Singapore (MAS).
- establishing a board diversity policy;
 - considering sustainability issues in formulating strategies, determining the environmental, social and governance (ESG) factors and overseeing the management and monitoring of the ESG factors that are material to the business; and
 - performing succession planning for Board and Management.

Pages 138 to 140 contain a quick reference to the discussions relating to the principles and guidelines in the MAS Guidelines that require express disclosure. An explanation of any deviation from such principles and guidelines is provided in this Corporate Governance section.

BOARD MATTERS

(Principles 1 to 6, MAS Guidelines)

Board Duties

The Board's responsibilities are set out in its written terms of reference. Its responsibilities include:

- providing strategic direction, entrepreneurial leadership and guidance;
- approving business plans and annual budgets;
- ensuring that financial statements are true and fair;
- monitoring financial performance;
- determining capital/debt structure;
- setting dividend objectives and declaring dividends;
- approving major acquisitions and divestments, strategic investments, joint ventures and alliances;
- reviewing risk management framework and system, risk culture and conduct;
- overseeing the performance of Management;
- setting company values and standards;

The Board also approves other material matters, including funding strategy, risk appetite, technology and productivity initiatives and stakeholder communications as well as matters reserved to the Board by law and the UOB Constitution. To be more nimble in the discharge of its responsibilities, the Board delegates authority on certain matters to the Board Committees and Management.

The Board is collectively responsible and works with Management for the Bank's long-term success. In 2018, the Board continued to engage with and guide Management in the development and execution of strategies. A retreat was held during which the Board and Management reviewed the strategic priorities of the Bank and the progress made. This was in addition to a country strategic review held in Shanghai. These retreats provided the Directors with deeper insights into the operating environment and strategies of the Group in the geographies in which it operates and enabled Directors to guide Management in the formulation and implementation of strategies.

Apart from such reviews, Directors interact with Management and specialists within the Bank regularly outside Board meetings. These dialogues allow the Board to oversee the Bank's performance, operations and governance initiatives with greater depth and understanding.

Board Delegation

The Board has delegated certain duties to the Board Committees while retaining overall oversight. The board committee structure, membership and terms of reference are reviewed at least annually to ensure the continued effectiveness of the Board Committees.

During the year, the scope of duties of the Remuneration Committee (RC) was expanded to include human capital development. Accordingly, it was re-named as the Remuneration and Human Capital Committee (RHCC). With effect from financial year 2019, the Strategy Committee (SC) was re-constituted as the Executive Committee (EXCO) with the additional duty of developing policies to support

the Bank's strategy. The Board Credit Committee (BCC) was dissolved and its duties were subsumed under the Board Risk Management Committee (BRMC) for better oversight of all key risks by the BRMC.

Each of the five Board Committees has written terms of reference which set out the committee's composition, responsibilities and operating processes, including decision-making by the committee and reporting back to the Board. Each Board Committee provides a report of its activities and the minutes of its meeting to the Board at least quarterly.

The Board may form other Board Committees as required by business imperatives.

Key Processes

Board and Board Committee meetings and the annual general meeting (AGM) are scheduled well before the start of a calendar year. Additional meetings are held during the year when warranted. Directors are informed of meeting dates well in advance and receive comprehensive information related to the agenda items ahead of a meeting. The papers for a meeting are uploaded onto a secure portal which directors can access via tablet devices provided by UOB.

A director who is unable to attend a meeting in person due to exigencies may participate in the meeting via telephone and/or video conference as provided for in the UOB Constitution. Alternatively, the director may convey his views through another director or the company secretaries.

The Board and Board Committees seek to make decisions by consensus. Where there is a divergence of views, decisions are made by majority vote and dissenting views are recorded. The Board and Board Committees may also make decisions by way of resolutions in writing although these are rarely required with appropriate planning. All deliberations and decisions of the Board and Board Committees are minuted and properly maintained.

Managing Potential Conflicts of Interests

Each director is required to act honestly, in good faith and with due care and diligence when exercising his[#] powers. He has to notify the Bank in a timely manner of his interests or appointments. Directors' direct and deemed interests in shares and debentures of UOB and its related corporations are disclosed in the Directors' Statement section of this report.

Where a director has an interest in a matter which may conflict with his duties to UOB, he must disclose his interests, recuse himself from the discussion and abstain from voting on the matter.

Board Attendance

The directors' attendance at formal meetings in 2018 is set out in the table below. The contributions of directors go beyond their attendance at formal meetings. Directors have individually or collectively engaged with other members of the Board and Management outside formal meetings in their oversight of the affairs of the Bank.

Name of director	Number of meetings attended in 2018							
	AGM	Board	SC	BCC	NC	RHCC*	BRMC	AC
Hsieh Fu Hua ¹	–	1 / 1	1 / 1	–	1 / 1	1 / 1	1 / 1	–
Wee Cho Yaw ²	0	0 / 1	0 / 1	0 / 1	0 / 1	–	0 / 1	–
Wong Kan Seng ³	1	6 / 6	4 / 4	3 / 3	4 / 4	3 / 3	4 / 4	–
Wee Ee Cheong ⁴	1	5 / 5	4 / 4	3 / 3	4 / 4	–	4 / 4	–
Franklin Leo Lavin ⁵	1	6 / 6	4 / 4	3 / 3	1 / 1	–	–	–
Willie Cheng Jue Hiang	1	6 / 6	–	–	4 / 4	–	–	6 / 6
James Koh Cher Siang ⁶	1	6 / 6	–	–	2 / 3	3 / 3	–	6 / 6
Ong Yew Huat	1	5 / 6	–	3 / 3	–	–	4 / 4	6 / 6
Lim Hwee Hua	1	6 / 6	4 / 4	–	4 / 4	3 / 3	–	–
Alexander Charles Hungate	1	6 / 6	–	2 / 3	–	3 / 3	–	–
Michael Lien Jown Leam	1	5 / 6	4 / 4	–	4 / 4	–	–	–
Alvin Yeo Khirn Hai	1	5 / 6	–	–	–	–	3 / 4	4 / 6
Wee Ee Lim ⁷	–	2 / 2	2 / 2	–	–	–	2 / 2	–
Number of meetings held in 2018	1	6	4	3	4	3	4	6

1. Mr Hsieh Fu Hua stepped down from the Board on 14 February 2018.

2. Dr Wee Cho Yaw retired from the Board on 20 April 2018.

3. Mr Wong Kan Seng was appointed Board Chairman on 15 February 2018.

4. Mr Wee Ee Cheong was the alternate member to Dr Wee Cho Yaw on the NC until 20 April 2018 and became a member on 21 April 2018.

5. Mr Franklin Leo Lavin stepped down from the NC on 20 April 2018.

6. Mr James Koh Cher Siang was appointed to the NC on 21 April 2018.

7. Mr Wee Ee Lim was appointed to the Board, SC and BRMC on 1 July 2018.

[~] Attendance record excludes a Board meeting at which Dr Wee Cho Yaw and Mr Wee Ee Cheong had recused themselves from the meeting.

* RC was renamed as RHCC with effect from 25 October 2018.

Corporate Governance

Board Independence, Composition and Diversity

Overview of the Board

- 11 members (10 men and 1 woman)
- 8 are independent and non-executive:
 - Wong Kan Seng
 - Franklin Leo Lavin (*To retire at end of 2019 AGM*)
 - Willie Cheng Jue Hiang
 - James Koh Cher Siang
 - Ong Yew Huat
 - Lim Hwee Hua
 - Alexander Charles Hungate
 - Alvin Yeo Khirn Hai
- 2 are non-independent and non-executive:
 - Michael Lien Jown Leam
 - Wee Ee Lim
- 1 is non-independent and executive:
 - Wee Ee Cheong (*CEO*)
- Tenure:
 - 10 have served fewer than 9 years
 - 1 has served more than 9 years
- Separation of roles of Chairman and CEO

The Board has 11 members, the majority of whom are independent and non-executive directors. No director has appointed an alternate director. Each year, the Nominating Committee (NC) assists the Board to assess the Board composition and each director's independence, performance and contributions and whether he is a fit and proper person for office.

Based on the Banking Regulations, a director is independent if the director:

- is independent from substantial shareholders of the Bank;
- does not have management and business relationships with the Bank; and
- has not served on the Board for nine continuous years or more.

The SGX-ST Listing Rules state that a director is not independent if:

- he is employed by the company or its related corporations in the current or any part of the past three financial years; or
- he has an immediate family member who is or has been employed by the company or its related corporations for the past three financial years and whose remuneration is determined by the remuneration committee.

In addition, the 2018 Code of Corporate Governance provides that an independent director is one who is independent in conduct, character and judgement; and has no relationship with the company, its related corporations, substantial shareholders or officers that could interfere or reasonably be perceived to

interfere with the director's independent business judgement in the best interests of the company.

Every year, the NC determines each director's independence based on the above independence criteria. In its assessment, the NC considers the director's disclosures of his other appointments, interests, personal circumstances and business and financial relationships with UOB. It also considers each director's responses in questionnaires, which comprise questions for assessing if a director is independent and fit and proper to hold office. Each NC member has recused himself from any deliberation on him.

The NC's assessment of directors' independence and the bases of its assessment are as follows:

- Messrs Wong Kan Seng, James Koh Cher Siang, Ong Yew Huat, Alexander Charles Hungate and Alvin Yeo Khirn Hai and Mrs Lim Hwee Hua are independent and non-executive directors. Each of them has met the independence criteria and has not served more than nine years from the date of his first appointment to the Board;
- Mr Willie Cheng Jue Hiang is an independent and non-executive director. When his tenure on the Board reaches nine years in July 2019, he will be a non-independent and non-executive director;
- Messrs Michael Lien Jown Leam and Wee Ee Lim are non-independent and non-executive directors. Mr Michael Lien Jown Leam is connected to substantial shareholders of UOB, while Mr Wee Ee Lim is a substantial shareholder of the Bank; and
- Mr Wee Ee Cheong, a substantial shareholder and the Chief Executive Officer (CEO) of UOB, is a non-independent and executive director.

Mr Franklin Leo Lavin was not part of the NC's latest assessment as he has indicated his intention not to seek re-election and will retire from the Board at the conclusion of the 2019 AGM. There has been no change to his circumstances since the 2018 review, during which the NC had assessed him to be an independent and non-executive director.

As part of its ongoing renewal of the Board, NC has commenced the search for new directors. The appointment of new directors will be announced on SGXNet.

The NC assessed each director's fitness and propriety to hold office based on the MAS Guidelines on Fit and Proper Criteria (Fit and Proper Criteria). The standards of fitness and propriety in the Fit and Proper Criteria are similar to and more extensive than Appendix 7.4.1 of the SGX-ST Listing Rules. There has been no change in the information in Appendix 7.4.1. declarations previously made by Mr James Koh Cher Siang on 21 August 2012, Mr Ong Yew Huat on 18 December 2012 and Mr Wee Ee Lim on 17 April 2018, the respective dates of their appointment to the Board. On the basis of the responses provided by the directors in the questionnaires and their regular disclosures during the year, the

NC has determined that each director remains fit and proper and qualified for office.

The profiles of the directors can be found in the Board of Directors section of this report. UOB's Board Diversity Policy seeks to ensure that the Board and Board Committees comprise directors who will collectively provide the appropriate balance and mix of dimensions of diversity, including but not limited to functional and domain skills, regional experience, industry experience, age, gender, ethnicity, culture and tenure. Having assessed the composition of the Board, the NC is satisfied that the Board is sufficiently diverse for the needs of the UOB Group and will continue to maintain such diversity.

Collectively, the directors' skills and expertise span banking and finance, strategic planning and development, accounting, human resources, technology, law and corporate governance, providing core competencies that are relevant to the Bank's affairs. The Board leverages the range of deep skills, expertise, experience and insights of its members in the discharge of its duties. The ongoing renewal of the Board has ensured that it comprises a mix of longer-serving directors and newer ones to provide continuity and stability and to facilitate knowledge transfer, while being able to meet the evolving needs of the Bank's customers and expectations of its stakeholders.

Having considered UOB's scope and nature of business and operations, the NC is of the view that the current composition and size of the Board allow for a balanced exchange of views and deliberations among members, contributing to the effective oversight of the Bank's affairs. It will continue to assess the board size and core competencies required to meet the needs of the Bank.

Board Chairman and Chief Executive Officer

The offices of Chairman and CEO are held by different persons. Mr Wong Kan Seng, an independent, non-executive director, is the Board Chairman. He leads the Board, approves the Board's meeting agenda, promotes an open environment for constructive debate at meetings and facilitates information flow between the Board and Management. He also oversees corporate governance matters and chairs the annual general meetings. Mr Wong Kan Seng is a member of all committees except the AC. Nevertheless, he attends all AC meetings although he is not an AC member. This enables him to have a good overview of all Board Committees' activities.

Mr Wee Ee Cheong, the CEO, leads the management team and implements the Bank's strategy. He seeks business opportunities, leads new initiatives and promotes an inclusive culture and practices that are consistent with the Bank's values of Honourable, Enterprising, United and Committed. The CEO is assisted by senior management committees for the day-to-day operations of the Bank, including ensuring that the system of internal controls and risk management is adequate and effective, that the Bank provides a healthy work environment for employees and the values of the Bank are observed in the Bank's activities.

In 2018, the CEO led the Bank's efforts in strengthening the Bank's regional franchise. UOB Vietnam commenced operations in Ho Chi Minh City and the Group's Foreign Direct Investment Advisory Unit leveraged the Group's regional connectivity to help customers expand across borders. The Bank enhanced its information technology infrastructure to support its digital strategy and to advance the use of data analytics for creating more innovative products to meet the evolving needs of the Bank's customers and for risk management. By collaborating with ecosystem partners, the Bank was able to offer various smart solutions to different customer segments. During the year, the Bank expanded its Global Medium Term Note Programme to enable the Bank to tap US onshore investors under Rule 144A of the US Securities Act.

Lead Independent Director

The Board has not formally appointed a lead independent director (LID) as the Board Chairman is independent, non-executive and is not related to the CEO, and a majority of the directors are independent. The NC has agreed that where circumstances warrant the need for an LID, on a case-by-case basis, the NC chairman can step up to the role.

Time Commitment and Performance

Every year, each Director conducts a self-assessment of his performance and an assessment of the Board and each Board Committee of which he is a member. The completed assessment questionnaires are sent to the company secretaries who collate the masked responses so that the NC can perform its evaluation and to make its recommendation to the Board. No external facilitator was engaged for the evaluation process.

In evaluating the Board's performance, the NC considers many factors including the Bank's performance and the Board's organisation and responsibility for the Bank's strategy, succession planning, risk management and internal controls. Board Committees are appraised on the discharge of their responsibilities and accountability to the Board. Each Board Committee also conducts a self-appraisal on its performance for the year.

The evaluation of each director's contribution and his availability to commit time and attention to the affairs of the Bank takes into account the following:

- general availability, including attendance and participation at the AGM and the meetings of the Board and relevant Board Committees;
- preparedness for meetings, participation and contribution to decisions and strategic insight, among others; and
- skills, experience and other directorships and principal commitments, which can be found in the Board of Directors section of this report.



Corporate Governance

Based on each director's contribution and known commitments, the NC is satisfied that all directors have performed their duties adequately and availed themselves to attend to the Bank's affairs, thereby contributing to the effectiveness of the Board and Board Committees. Accordingly, the NC does not recommend setting a limit on the number of directorships that a director may hold.

Selection Process, Appointment and Re-election

Succession planning is an ongoing process, balancing change and renewal with continuity and stability. The Board is supportive of diversity, but not in terms of any one particular attribute. Appointment to the Board is based on the merits of candidates and the experience, skills and knowledge which the Board requires to work effectively, in line with the Bank's strategic directions and to sustain business growth.

All directors may nominate candidates. During the year under review, the NC engaged the services of external agents, including the Singapore Institute of Directors and an external search firm to broaden the search for new directors.

The succession planning process involves:

- mapping the skill-sets and expertise currently held by the Board against a framework to identify the additional skill-sets required;
- reviewing the candidates' independence under the independence criteria, qualification for office, personal attributes such as integrity and financial soundness and ability to commit time to the Bank's affairs; and
- considering the operating environment, potential developments and emerging trends in the market and the pipeline for ongoing succession planning.

The NC will review and shortlist the candidates before making its recommendation to the Board. With the concurrence of the Board, the NC chairman initiates discussions with the shortlisted candidates as appropriate. The NC also conducts due diligence on the candidates to ascertain that the candidates are fit and proper and qualified for office. All appointments to the Board are subject to the approval of the MAS.

UOB's Constitution provides that one-third of the directors shall retire from office by rotation and submit themselves for re-election at every AGM. The NC nominates a director for re-election after factoring in the director's performance and whether he remains fit and proper and qualified for office. New directors submit themselves for re-election at the first AGM following their appointment to the Board. Thereafter, they are subject to the one-third rotation rule. Directors are put up for re-election at the AGM individually. Resolutions 6 to 8 in the AGM notice relate to the re-election of directors at the forthcoming AGM. Information on the directors who are seeking re-election can be found in the Board of Directors section of this report.

Induction and Continual Development

A new director receives an induction package upon appointment. The package includes the Articles of Directorship which enumerate a director's general duties, obligations and responsibilities, terms of reference of the Board and Board Committees, guidance on directors' duties, relevant company policies and other materials. The induction process consists of meetings with key senior executives and briefings on key areas of the Bank's business, risk management and support functions. A new director who is also appointed to serve on Board Committees is briefed on specialised or technical topics relevant to the activities of those Board Committees.

UOB has a programme for the continual development of its directors. The NC oversees the directors' development programme, which is refined regularly to take into account the regulatory environment and the Bank's risk profile, operating environment and business strategy and operations.

At least half a day is set aside each quarter for in-house training conducted by either internal or external subject-matter experts. In 2018, the in-house training topics included management of interest rate risk and technology risk, cyber security, accounting standards, updates on specific businesses, talent management and sustainability reporting. In addition, the Bank organised an on-location review of the Group's Greater China strategy in Shanghai where directors discussed various business and strategy issues and met with country/local industry experts. Directors participated in UOB-organised technology forums at which experts and specialists from various industries shared their views on technology developments and trends. They also attended external programmes organised by the Singapore Institute of Directors. Accordingly, the NC is of the view that the 2018 programme has met the objective of equipping directors with the relevant knowledge to perform their duties.

Leadership Succession

UOB has a structured process for building a pipeline of leaders to support the Bank's strategy and growth. The process helps to identify employees with leadership potential and to nurture them through structured development programmes. These include functional and leadership skills training, mentorship and participation in significant projects. Where appropriate, cross-functional training and regional exposure, as well as networking opportunities are made available to these employees. In the event that there is no suitable internal candidate for a position, the Bank will look to external recruitment.

Recognising the importance of talent bench strength, the NC recommended and the Board agreed to expand the scope of duties of the RC to include human capital development. This covers the recruitment, retention and development of employees, succession planning and talent management. The RC was also renamed RHCC.

The NC is responsible for the succession planning for the CEO, chief financial officer (CFO), chief risk officer (CRO) and other business and function heads in Singapore. Reasons behind the resignations from these positions are also considered. The appointments of the CEO, CFO and CRO are subject to the approval of the MAS.

Access to Information

Directors have unfettered access to information, the internal and external auditors and senior executives for the purpose of carrying out their duties. Comprehensive information is provided to directors in advance of each meeting to facilitate their deliberation and decision-making at the meeting. The information provided includes financial, strategic, risk management and operational reports. Directors may also approach Management should they require additional information. Senior executives are present at meetings to provide clarification on matters tabled. Subject-matter specialists and professional advisers, where relevant, may be invited to brief the Board or Board Committees. Further, common membership in the Board Committees facilitates information-sharing between the relevant committees and enables better coordination of work among the committees.

If necessary, directors may seek independent professional advice at the Bank's expense in the course of discharging their duties. In addition, directors have separate and independent access to the advice of the company secretaries, who are qualified lawyers.

Role of Company Secretaries

The Bank has two company secretaries, one of whom is also the head of the Legal and Secretariat department. The company secretaries support directors in discharging their responsibilities. They assist the Board to monitor the execution of its decisions, advise the Board on governance matters, update the Board on applicable laws and regulations and facilitate communication between the Board and stakeholders, including Management and shareholders. They also assist in the induction and professional development of directors and the evaluation of the Board. The company secretaries, whose appointment and removal are subject to the Board's approval, attend all Board and Board Committee meetings (except for the RHCC whose secretary is the head of the Human Resource department).

Board Committee Composition

At least annually, the NC reviews the composition of each Board Committee to optimise the collective expertise of the Board and towards an equitable distribution of workload amongst directors. The SC and BCC, prior to their reconstitution and dissolution respectively, were not mandatory Board Committees. The EXCO, NC, RHCC, BRMC and AC have been constituted in accordance with the Banking Regulations. The NC is of the view that each Board Committee has an appropriate size and mix of competencies. The members and duties of each Board Committee can be found on the subsequent pages.

Executive Committee (Re-constituted from Strategy Committee)

SC membership (Up to 31 December 2018)

- Wong Kan Seng (*chairman*), Wee Ee Cheong, Franklin Leo Lavin, Lim Hwee Hua, Michael Lien Jown Leam and Wee Ee Lim

EXCO membership (From 1 January 2019)

- Wong Kan Seng (*chairman*), Wee Ee Cheong, Franklin Leo Lavin[#], Ong Yew Huat, Lim Hwee Hua and Michael Lien Jown Leam
- Majority of members, including the chairman, are independent directors

[#] To retire at end of 2019 AGM

In 2018, the SC monitored Management's progress in implementing the Bank's strategic plan and provided guidance on the Bank's new initiatives. It also reviewed the Bank's financial and business performance, matters relating to the budget, dividends, capital and funding as well as the Bank's progress made in respect of each material ESG factor.

Reconstituted from the SC, the EXCO assists the Board to oversee UOB's strategies and related activities. Its responsibilities are to:

- assist the Board in providing strategic direction to the Bank and oversight of the Bank's strategic plan and implementation;
- review medium- and long-term strategic plan and oversee Management's performance in relation to the strategy;
- review, endorse and recommend the Bank's business plans, budget and capital and debt structure;
- review the Bank's financial and operational performance in relation to the approved budget;
- consider sustainability issues in formulating strategies, determine the ESG factors and oversee the management and monitoring of the ESG factors that are material to the business;
- review human resource matters, except for remuneration and human capital development matters;
- deliberate on strategic matters which require Board review between Board meetings; and
- perform such other duties as the Board may delegate to it from time to time.

Corporate Governance

Board Credit Committee (*Dissolved on 1 January 2019*)

BCC membership (*Up to 31 December 2018*)

- Ong Yew Huat (*chairman*), Wong Kan Seng, Wee Ee Cheong, Franklin Leo Lavin and Alexander Charles Hungate
- Majority of members, including the chairman, were independent directors

Prior to its dissolution, the BCC assisted the Board in overseeing exposure to large credits, reviewing credit policies and approving credit facilities within its limits.

In 2018, the BCC reviewed the credit discretionary limit structures, which set out the approving authorities and their corresponding limits for approving credit facilities. It approved the core credit policy and large credit cases, including credit facilities to related parties of directors.

Nominating Committee

NC membership

- Lim Hwee Hua (*chairman*), Wong Kan Seng, Wee Ee Cheong, Willie Cheng Jue Hiang, James Koh Cher Siang and Michael Lien Jown Leam
- Majority of members, including the chairman, are independent directors

The appointment of NC members is subject to the approval of the MAS. The NC's main responsibilities are as follows:

- assess the independence of directors;
- review the size and composition of the Board and Board Committees;
- assess the performance of the Board and Board Committees and each director;
- recommend the appointment and re-election of directors;
- implement a programme for the continual development of directors;
- review the nominations and reasons for resignations of key management appointment holders including the CEO, CFO and CRO;
- perform succession planning for directors; and
- carry out succession planning and talent management for the CEO and other members of Management.

The NC's main activities are outlined on pages 124 to 127.

In 2018, the NC undertook the process for the search for new directors and oversaw the engagement of the external agents for the search. It proposed a board diversity policy which was adopted by the Board. It also performed succession planning for several senior executives.

REMUNERATION MATTERS

(Principles 7 to 9, MAS Guidelines)

Remuneration and Human Capital Committee (*Formerly known as Remuneration Committee*)

RHCC membership

- James Koh Cher Siang (*chairman*), Wong Kan Seng, Lim Hwee Hua and Alexander Charles Hungate
- All members are independent and non-executive directors

The main duties of the RHCC, following an expansion in its scope, are as follows:

- oversee the design and operation of the Bank's remuneration policy and framework which are relevant and performance-related, and promote long-term success to ensure alignment with shareholder interest;
- determine a level and structure of remuneration that are appropriate and proportionate to the Bank's sustained performance and value creation, taking into account the Bank's strategic objectives, corporate values and prudent risk-taking;
- review and recommend the remuneration for directors and Management; and
- establish appropriate frameworks and policies for the review of the composition and strength of human capital, employee performance assessment, employee recruitment and retention, talent management and succession planning.

Messrs James Koh Cher Siang and Wong Kan Seng and Mrs Lim Hwee Hua also serve on the NC. The common membership on the RHCC and NC facilitates coordination between the two committees on matters that have an impact on succession, remuneration and talent management.

In 2018, in addition to taking on the role of human capital development, the RHCC reviewed and enhanced the Bank's remuneration framework and policy for renewed relevance, taking into consideration the Bank's strategic objectives, market practices and consistency across comparable roles within the Group, among other factors.

Directors' Remuneration

Non-executive directors are paid directors' fees, which consist of a basic fee for service on the Board and additional fees for service on Board Committees. The fees are pro-rated based on a director's length of service in the year under review. Non-executive directors do not receive any variable remuneration such as options, share-based incentives or bonuses. The RHCC reviews and recommends the level and structure of directors' fees, which take into account the directors' responsibilities and the fee structure of comparable public-listed companies in the market.

Mr Wee Ee Cheong, an executive director, is remunerated as CEO of the Bank and does not receive a fee for serving on the Board and Board Committees. He also does not participate in the Bank's share plans for executives, as he is a substantial shareholder.

An advisory fee has been proposed for payment to Dr Wee Cho Yaw, in recognition of the advice he provided in 2018.

No director decides his own remuneration. The proposed fees for non-executive directors and Dr Wee Cho Yaw are tabled for shareholders' approval at the AGM. The Directors' Statement section of this report has more information on:

- the fee structure for non-executive directors; and
- directors' fees and other remuneration, including fees received as directors of subsidiaries.

Employees' Remuneration

The employee remuneration framework is designed to encourage behaviours that contribute to the Bank's long-term success while keeping remuneration competitive to attract, to retain and to motivate employees and highly-skilled individuals. Remuneration is commensurate with their performance and contributions, competencies and alignment of behaviour to the Bank's values. The remuneration package consists of fixed pay, variable pay (cash bonuses and deferrals in the form of cash or shares, where applicable) and benefits. The Remuneration section of this report contains more information on the Group's remuneration framework, policy and processes, including the remuneration mix and deferred remuneration for Management and material risk takers. Details of the Bank's share-based incentive plans can be found in the Directors' Statement section of this report.

The RHCC considers key aspects of employee remuneration, including the termination provisions in service contracts, to ensure that they are fair. It reviews and approves the overall performance bonus, share-based incentive plans and Management's remuneration based on the Board-approved remuneration policy. It also reviews the Bank's obligations arising from the termination of Management's service contracts to ascertain that they are not overly generous, onerous or adverse to the Bank.

In approving the remuneration packages for the CEO and Management, the RHCC takes into consideration the Group's performance, functional performance and individual performance, contributions and conduct aligned to the Bank's values. The BRMC and AC review and approve the performance of and remuneration for the CRO and Head of Group Audit respectively, subject to the Bank's remuneration philosophy and framework.

UOB believes that it would be disadvantageous to disclose the remuneration of the top five non-director executives, given the highly competitive market for talent, as many banks operating in Singapore do not publish similar information. Employee remuneration matters should remain confidential, given the sensitive nature of such matters and the competitive human resource environment as well as to support the Group's efforts to attract and to retain highly-skilled individuals.

Save as disclosed below and in the Directors' Statement section of this report, there was no employee in the UOB Group who was a substantial shareholder of UOB or an immediate family member of a director, the CEO or a substantial shareholder of UOB and whose 2018 remuneration exceeded \$50,000:

- Mr Wee Ee Cheong, the CEO and a substantial shareholder of UOB, is the son of Dr Wee Cho Yaw, a substantial shareholder. He is also the brother of Mr Wee Ee Lim, a director and substantial shareholder of the Bank. Particulars of his remuneration can be found in the Directors' Statement;
- Mr Wee Teng Chuen, the son of Mr Wee Ee Cheong, is employed in the Group Wholesale Banking department. His remuneration for 2018 was within the band of \$100,001 to \$150,000; and
- Mr Brian Ong Li Jian, the son of Mr Ong Yew Huat, is employed by UOB Asset Management Ltd, a subsidiary of UOB. His remuneration for 2018 was within the band of \$50,001 to \$100,000.

Corporate Governance

ACCOUNTABILITY AND AUDIT

(Principles 10 to 13, MAS Guidelines)

Board Risk Management Committee

BRMC membership

- Ong Yew Huat (*chairman*), Wong Kan Seng, Wee Ee Cheong, Alvin Yeo Khirn Hai and Wee Ee Lim
- Majority of members, including the chairman, are non-executive directors

The BRMC oversees risk management matters and, from 2019, credit-related matters previously under the BCC's purview. The areas of oversight include the following:

- establishment and operation of a sound and independent risk management system to identify, to measure, to monitor, to control and to report risks on an enterprise-wide basis;
- risk culture of the Bank;
- adequacy of the risk management function's resources;
- adequacy and effectiveness of the risk management system;
- review of the overall risk profile and the compliance with risk appetite, risk limits and risk-return strategy;
- establishment of risk measurement models and approaches;
- appropriateness of the remuneration and incentive structure;
- related party transactions and interested person transactions;
- credit policies, credit discretionary limit structures and exposure to large credits; and
- appointment, remuneration and resignation of the CRO.

The CRO reports functionally to the BRMC and administratively to the CEO. He is responsible for the day-to-day operations of the risk management functions in the Group.

In 2018, the BRMC reviewed the risk governance framework, key risk management frameworks, stress test results, integrated crisis management, business continuity preparedness and the Bank's remuneration practices in relation to promoting appropriate risk-taking behaviour. It also reviewed the Bank's recovery plan and the Group's risk appetite, which defines the risk appetite thresholds and limits across key risk areas, for approval by the Board. The BRMC receives quarterly reports on key risk areas, including performance against risk appetite thresholds and limits. In addition, it has oversight of the internal capital adequacy assessment process (ICAAP) and is kept informed of the strategic direction for the Bank's data governance. The Risk Management section of this report contains more information on the work overseen by the BRMC.

Together with the AC, the BRMC assists the Board in discharging its oversight responsibility relating to the system of risk management and internal controls. Messrs Ong Yew Huat and Alvin Yeo Khirn Hai are common members on the BRMC and AC. This facilitates coordination of matters between the two committees.

Audit Committee

AC membership

- Willie Cheng Jue Hiang (*chairman*), James Koh Cher Siang, Ong Yew Huat and Alvin Yeo Khirn Hai
- All members are independent and non-executive directors

All the AC members have experience serving on the audit committees of large companies or other organisations. Two of the AC members, including the chairman, are accountants by training.

The AC oversees matters relating to the following:

- financial statements and quality of, and any significant change in, accounting policies and practices;
- adequacy and effectiveness of internal accounting control systems and material internal controls;
- appointment, reappointment, removal (if necessary), evaluation and remuneration of the external auditor and plans, reports and results of external audit;
- appointment, evaluation, remuneration and resignation of the Head of Group Audit;
- adequacy and effectiveness of the internal audit function, and plans, reports and results of internal audit;
- policies and procedures for handling fraud and whistle-blowing cases; and
- integrated fraud management.

The AC has authority to investigate any matter within its terms of reference and has the full cooperation of and access to Management. It also has direct access to the internal and external auditors, who separately meet with the AC in the absence of Management at least once every quarter. Besides formal meetings, the AC members meet among themselves and with the Finance team and the internal and external auditors as often as appropriate to be apprised of matters which are under review. Audit reports, findings and recommendations of the internal and external auditors are sent directly to the AC, independent of Management.

The AC reviews the quarterly and annual financial statements before recommending them to the Board for approval. In reviewing the financial statements, the AC assesses the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements.

Developments in accounting standards and the regulatory environment are frequently reviewed by the AC together with the Finance team and the external auditor. Through such updates and discussions as well as the directors' development programme, the AC members are kept abreast of changes in accounting standards and developments in corporate governance which may have an impact on the financial statements.

The AC also reviews fraud and whistle-blowing cases as well as the policies and procedures governing the management of fraud and whistle-blowing cases. Group Audit updates the AC on whistle-blowing cases received, while the Integrated Fraud Management unit reports to the AC on fraud trends in the Group, emerging fraud risks and its work and findings on fraud matters. Please refer to page 137 for more information on the whistle-blowing policy, which is administered by the internal auditor.

Over the years, the AC has been overseeing the refinement of the three lines of defence. It has supported the set-up of an integrated governance, risk and compliance system and encouraged the use of data analytics and artificial intelligence to increase the coverage and accuracy of risk reviews. In 2018, it oversaw the Bank's efforts to enhance its audit methodology, and anti-money laundering/countering the financing of terrorism practices and processes. It also guided Group Audit on the development of audit resources across the region.

External Auditor

The external auditor is Ernst & Young LLP, which is registered with the Accounting and Corporate Regulatory Authority (ACRA). The partner in charge of auditing UOB is rotated every five financial years, in accordance with the SGX-ST Listing Rules. The AC is responsible for recommending the appointment or reappointment of the external auditor. It approves the terms of engagement of the external auditor and the audit fees and reviews the external auditor's audit plan and reports.

Annually, the AC reviews the work, results, independence and performance of the external auditor and recommends its reappointment or a change in external auditor to the Board.

As Ernst & Young LLP have served as the Bank's auditor for more than 10 years, the Bank invited applications to tender for the appointment of external auditor of the Bank in 2018. The entire tender process was overseen by the AC. Following a rigorous evaluation, the AC recommended and the Board agreed to recommend that Ernst & Young LLP be reappointed as the Bank's external auditor.

The Board will comply with all regulatory requirements (from MAS, SGX-ST and other regulators) for the mandatory tendering or rotation of external auditor firm or external audit partners. It will also seek to observe other good governance practices in relation to the appointment of the external auditor. In this regard, it is the Bank's intention to rotate an external auditor if it has reached 20 years in tenure.

The audit and non-audit fees for 2018 are disclosed in Note 10 to the Financial Statements. The non-audit fees paid to the external auditor have not exceeded the audit fees and have been between five per cent and 37 per cent of the audit fees for the respective years, since the appointment of the external auditor in 2003.

The AC receives regular reports on the engagement of the external auditor for non-audit services and the fees paid for such services. It also receives the external auditor's quarterly affirmation of its independence. Following an evaluation of the fees paid to the external auditor for audit and non-audit services rendered by the external auditor in 2018, the AC is of the view that the non-audit services provided and the amount of non-audit fees paid to the external auditor did not compromise the independence of the external auditor.

The Independent Auditor's Report contains information on the work performed by the external auditor. It includes the key audit matters (KAMs) which the external auditor assessed to be of most significance in its audit of the financial statements for the year under review. The table on page 132 provides the AC's commentary on the Independent Auditor's Report.

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Item		AC's commentary on Independent Auditor's Report
Page 187	KAM: Adoption of Singapore Financial Reporting Standard (International) 9 Financial Instrument (SFRS(I) 9)	<p>The Group adopted SFRS (I) 9 with effect from 1 January 2018.</p> <p>Management had been actively planning for the adoption of this standard in prior years and had kept the AC apprised of developments, in particular, the impact of expected credit losses (ECL) on the Group's financial position.</p> <p>We were apprised by both the internal and external auditors of Management's credit monitoring controls and processes and methodologies and assumptions used in determining ECL.</p> <p>The external auditor presented its audit testing methodology and the results on ECL for discussion at the year-end AC meeting.</p> <p>With respect to credit-impaired ECL, we reviewed significant non-performing loans to satisfy ourselves that the classifications and level of allowances taking into consideration the valuation approach for the collaterals or cash flow assumptions were appropriate.</p> <p>For non-credit impaired ECL, we reviewed Management's model design including methodology and assumptions, processes and controls over the estimation of ECL. We deliberated on the models used in conjunction with the findings from the external auditor.</p> <p>Overall, we assessed that the ECL allowances under prevailing economic outlook and macro-economic environment are adequate.</p> <p>We also discussed Management's classification and measurement on financial instruments with external auditors. We believe that the classification and measurement of financial instruments is consistent with Management's business models and cash flows assumptions.</p>
Page 188	KAM: Valuation of illiquid or complex financial instruments	<p>We discussed with Management and the external auditor on the valuation techniques used and, in particular, the unobservable inputs used to determine the fair value of illiquid or complex financial instruments such as unquoted private equity investments and complex structured derivative products. The valuation processes and controls were also tested by the internal auditor. With continued volatility in the global markets, the valuation of such illiquid or complex financial instruments can be a challenge.</p> <p>The results of the internal and external auditors' testing and review of the resultant fair values of these financial instruments were presented to the AC.</p> <p>We considered the fair value of these financial instruments to be reasonable.</p>
Page 188	KAM: Impairment of goodwill.	<p>Goodwill from the acquisition of OUB, UOB Thailand and UOB Indonesia amounted to \$4.14 billion.</p> <p>The goodwill impairment testing methodology and results were presented to the AC by Management. The external auditor reviewed the goodwill impairment methodology and presented the test results, including comments from its valuation specialists and sensitivity analyses performed.</p> <p>We assessed the appropriateness of the cash flow forecasts, the discount rates used in the goodwill impairment testing and enquired on the results of the sensitivity analyses performed. We were satisfied that no impairment was required on the goodwill for this financial year.</p>
Page 189	Other Information (OI)	<p>Other Information (OI) comprises information presented in the annual report other than that in the financial statements. OI was not available to the external auditor at the issuance of its audit opinion on 21 February 2019. By a letter dated 15 March 2019, the external auditor confirmed to the Board that it had since received and read the OI, and considered whether the other information is materially inconsistent with the Group's financial statements for the financial year ended 31 December 2018 or its knowledge obtained in the audit or otherwise appears to be materially misstated. The external auditor reported that it has nothing to report in this regard.</p>

+ "KAM" means key audit matter.

The AC has evaluated the external auditor's work and considered the feedback of the internal auditor and Management. It is of the view that the external auditor has the requisite expertise and resources to perform its duties and has a good understanding of the Bank's business, risk management and operational issues.

Further, the AC is satisfied that the external auditor was independent, objective and effective in its audit of UOB in 2018. It has therefore nominated Ernst & Young LLP for reappointment at the 2019 AGM. UOB has complied with Rules 712 and 715 of the SGX-ST Listing Rules in the appointment of Ernst & Young LLP as the external auditor of the subsidiaries of the Bank, except for a handful of immaterial overseas subsidiaries due to exceptional local regulations and circumstances.

In evaluating the external auditor for re-appointment, the AC was guided by the *Audit Quality Indicators Disclosure Framework* issued by ACRA, the *Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors* issued by ACRA and the Singapore Exchange and the *External Audits of Banks* issued by the Basel Committee on Banking Supervision.

Internal Auditor

The AC reviews and approves the Internal Audit Charter which sets out the authority and responsibilities of Group Audit, the internal audit function. It reviews the risk-based internal audit plan, internal audit reports, scope and results of the internal audits, and the adequacy and effectiveness of Group Audit. The AC approves the appointment, remuneration and resignation of the Head of Group Audit. The Head of Group Audit, reports functionally to the AC and administratively to the CEO.

Independent of the units and activities it audits, Group Audit adopts and meets the *International Standards for the Professional Practice of Internal Auditing* set by The Institute of Internal Auditors and other relevant best practices. It is also guided by *The Internal Audit Function in Banks* issued by the Basel Committee on Banking Supervision. At least once every five years, a quality assurance review of the internal audit function is conducted by an external professional firm.

Group Audit assesses the reliability, adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. A risk-based approach is used to develop the internal audit plan and audit projects are prioritised and scoped according to Group Audit's assessment of the Bank's risks and controls over the risk types. Group Audit also supports Management in inculcating a stronger risk culture through the Management Governance and Oversight Rating Framework, which seeks to enhance Management's awareness of the risk factors attendant in their respective areas of work and their responses to the factors identified. In 2018, Group Audit enhanced the risk assessment approach in audit methodology to further strengthen risk governance and oversight.

For greater effectiveness and efficiency and improved decision-making capabilities, Group Audit leverages technology. In particular, data analytics has enabled Group Audit to review a larger number of cases than it could with sampling, increase efficiency through automation and to derive greater insights from its audits. The bench strength at Group Audit includes subject-matter specialists in fields including technology, structured products, credit evaluation, fund management and investment. To ensure functional continuity and relevance to the Bank's business, Group Audit tracks and ensures that the audit team receives adequate and appropriate training.

Group Audit also oversees the internal audit functions of the Bank's overseas banking subsidiaries and advises them on standards of auditing and the Group's policies. The subsidiaries' internal audit functions provide regular reports to the Head of Group Audit, who is invited to attend the subsidiaries' audit committee meetings. To the extent appropriate and in accordance with local regulations, Group Audit conducts global audits of selected areas and reviews the internal audit work of each banking subsidiary. In 2018, Group Audit continued to conduct global audits frequently for a holistic assessment of audit issues. This enabled Management to address common weaknesses across the Group and guide local teams in designing customised solutions.

Having reviewed the scope of internal audit for the financial year, the progress and results of the audits and the auditees' response to audit findings, the AC is satisfied that Group Audit is independent, adequately resourced and effective in discharging its responsibilities.

Risk Management and Internal Controls

The Bank's system of risk management and internal controls consists of the following components:

- **Management oversight and control:** Management is responsible for the day-to-day management of risks and the effective implementation and continued relevance of the Bank's frameworks, policies, processes and procedures for internal controls and risk management. The following senior management committees assist the CEO in this regard: Asset and Liability Committee, Credit Committee, ESG Committee, Human Resources Committee, Information and Technology Committee, Investment Committee, Management Committee, Management Executive Committee, Operational Risk Management Committee and Risk and Capital Committee.

¹ Dissolved in 2019

Corporate Governance

- **Risk identification, monitoring and assessment:** Group Risk Management identifies, monitors and assesses risks of the Group. It works with business and support units and the relevant senior management committees to develop and to implement appropriate risk management strategies, frameworks, policies and processes. To the extent appropriate, these frameworks, policies and processes are also practised at the Group's overseas subsidiaries. Group Risk Management provides regular reports to the Board and BRMC on the overall risk profile and outlook, including any emerging risk and key developments in the Group. More information on the Bank's risk management can be found in the Risk Management and Pillar 3 Disclosure sections of this report.
- **Regulatory compliance:** Group Compliance works with business and support units to identify, to assess, to monitor and to manage regulatory compliance risks. It provides oversight and guidance for a strong compliance culture in the Group. It also accords high priority to compliance with rules and preventive measures against money-laundering and terrorist-financing. Compliance policies, procedures and guidelines, ethical standards and industry best practices are put in place to guide business and support units in the conduct of business and the discharge of their duties. Group Compliance provides assessments of regulatory compliance risks which may have an impact on the Group's operations, recommends corrective measures and issues advisories where appropriate. The Head of Group Compliance regularly reports to the Board and BRMC on significant compliance issues, regulatory developments and preventive and remedial actions taken.
- **Audits:** External and internal auditors conduct audits and report on any material non-compliance with or lapse in internal controls. Please see the sections on the external and internal auditors in the preceding pages.

The Bank's integrated governance, risk and compliance system facilitates information sharing, coordination and collaboration among Group Audit, Group Risk Management and Group Compliance for more effective governance oversight and response to issues identified. It has also helped to ensure consistency in the response to issues identified.

The Bank has established processes to escalate and report material incidents and breaches. These processes ensure that the relevant Board Committee or Board receives timely and appropriate reports and is able to oversee follow-up actions taken by Management.

Business and support units conduct regular self-assessments on their compliance with internal controls, risk management processes and applicable regulations. The results are reviewed by senior management committees and where deficiencies are identified, these committees monitor the progress made in

rectification works. For the year under review, the AC and the Head of Group Audit reviewed the internal controls while the BRMC and the CRO reviewed the risk management processes.

The Board has conducted its review of the Bank's internal controls and risk management processes and the work performed by the internal and external auditors, Management and the relevant Board Committees. It has also received assurance from the CEO and CFO that the system of risk management and internal controls is effective, the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on its review and with the concurrence of the AC and BRMC, the Board has formed the view that the Bank's system of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2018. As no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud, UOB's system of risk management and internal controls provides reasonable but not absolute assurance that the Bank will not be affected by any adverse event which may be reasonably foreseen.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

(Principles 14 to 16, MAS Guidelines)

Shareholder Rights and Conduct of Shareholder Meetings

UOB treats all shareholders fairly and equitably and discloses all material information relating to the Bank in a timely manner.

The Bank encourages and supports shareholder attendance at general meetings and participation in decisions concerning key corporate changes, such as any amendment to the Bank's Constitution and the authority to issue ordinary shares. A notice of a general meeting, related information and a proxy form are sent to shareholders within the statutory timeline of at least 14 days before the meeting. The notice of meeting is also advertised in certain widely-read newspapers in Singapore. In addition, the notice and the proxy form are published on the UOB website and SGXNet. Each proposal is tabled as a separate and distinct resolution and explanatory notes to the resolutions tabled are provided in the notice of meeting.

All shareholders are entitled to attend and to vote at general meetings in person or by proxy. The proxy form provides shareholders with the option of directing their proxy to vote either for or against each proposed resolution. The rules for the appointment of proxies are set out in the notice of general meeting and proxy form. Shareholders who are not relevant intermediaries as defined in the Companies Act may appoint up to two proxies to attend and to vote on their behalf. Nominee companies and custodian banks which are

relevant intermediaries may appoint more than two proxies. Investors who hold shares through nominee companies or custodian banks may attend and vote as proxies of the nominee companies or custodian banks. Duly completed proxy forms must be deposited at the place specified in the notice of general meeting at least 72 hours before the time set for holding the general meeting. The Bank currently does not implement voting in absentia by mail or electronic means.

Each ordinary share carries one vote and all resolutions at the general meeting are voted on by poll via electronic voting devices. This enables shareholders to exercise their full voting rights and ensures greater transparency. The electronic poll-voting services are provided by an independent service provider. Before electronic poll-voting commences, shareholders and proxies are briefed on the polling procedures in English and Mandarin. Each agenda item is put to the vote separately. After voting on each resolution is closed, the votes cast for or against the resolution are tallied and presented immediately to shareholders. An independent scrutineer, who is in attendance at every general meeting, validates the voting results which are announced on SGXNet on the same day as the general meeting.

Communication with Shareholders

UOB has an investor relations policy on communicating with the investment community, which includes shareholders, investors and analysts. The Bank does not practise selective disclosure. It publishes all pertinent information on SGXNet and the UOB website (www.uobgroup.com) on a timely basis. The investor relations webpage on the UOB website (<https://www.UOBgroup.com/investor-relations/index.html>) hosts relevant investor-related information, including the latest financial results, annual report, upcoming events and share and dividend information.

The financial statements, which are approved by the Board prior to the Bank's announcement on SGXNet provide stakeholders with a balanced assessment of the Bank's performance, position and prospects. Quarterly financial statements are announced within 45 days from the end of each financial quarter. The full-year financial statements are announced within 60 days from the financial year-end. The annual report, which contains the audited financial statements, notice of AGM, proxy form and other pertinent information, is available on SGXNet and the UOB website. A notice of the publication of the annual report on SGXNet and the UOB website will be sent to all shareholders at least 14 days before the AGM. To reduce the Bank's carbon footprint and as stakeholders become increasingly internet savvy, the Bank has discontinued its practice of sending the full annual report to shareholders by way of a CD-rom. Nevertheless, a shareholder may request a printed copy of the annual report from the share registrar or the Bank.

General meetings are a principal forum for dialogue with shareholders. The Board Chairman ensures that adequate time is allocated for shareholders to provide their feedback on Bank-related matters and the resolutions to be passed.

The Bank holds the AGM within four months from its financial year-end. At each AGM, before the resolutions are put to the vote, the CEO makes a presentation on the Bank's performance in the preceding financial year. The directors, including the Board Chairman and the Board Committee chairpersons and senior executives are in attendance to address shareholders queries. The external auditor is also present to address questions on the conduct of audit and the external auditor's report. The minutes of the AGM, together with the responses to the queries raised by shareholders during the meeting, are published on the UOB website after the AGM.

Apart from the AGM, shareholders, analysts and other stakeholders in the investment community may also provide feedback through the Investor Relations unit, whose contact details can be found in the Corporate Information and Investors sections of this report and on the UOB website.

UOB proactively engages the investment community through various avenues. The Bank holds briefings to the media, analysts and investors following the release of the half-year and full-year financial results and briefings with analysts and investors after the announcement of the first-quarter and third-quarter financial results. Corporate day events are periodically organised to provide in-depth understanding of the businesses and key markets in which UOB operates. Through investor meetings, conferences and roadshows, the Bank shares with analysts and investors the Bank's corporate strategy, operational performance and business outlook. All materials presented at such briefings, corporate days, meetings, conferences and roadshows are published on SGXNet and the UOB website in a timely manner.

Dividend Payment

The Bank aims to pay consistent and sustainable dividends to shareholders over the long term by balancing growth with prudent capital management. Dividends recommended or declared for payment are announced on SGXNet.

UOB pays dividends in a timely manner. Interim dividends are paid within 30 days after they are declared and final dividends are paid within 30 days after they are approved by shareholders at the AGM. If the UOB Scrip Dividend Scheme is applied to any dividend, the payment date will be in compliance with the SGX-ST Listing Rules (i.e. the payment date will be not fewer than 30 market days, but not more than 35 market days, after the books closure date).

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RELATED PARTY TRANSACTIONS AND INTERESTED PERSON TRANSACTIONS

(Principle 17, MAS Guidelines)

The Bank has established policies, processes and guidelines for the monitoring and disclosure of interested person transactions, director-related transactions and related party transactions.

In the year under review, the AC reviewed interested person transactions and material related party transactions. All transactions are reviewed whether they are undertaken in the ordinary course of business and on normal commercial terms and arm's length basis.

The particulars of all interested person transactions entered into in 2018 are set out below.

Interested Person Transactions		
Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Haw Par Corporation Limited and its subsidiaries (Haw Par Group)	UOB Travel Planners Pte Ltd sold travel products and services to the Haw Par Group. The total value of these transactions was \$217,345	Nil
UOB-Kay Hian Holdings Limited and its subsidiaries	UOB Travel Planners Pte Ltd sold travel products and services to UOB Kay Hian Private Limited. The total value of these transactions was \$426,269.	Nil
UOL Group Limited and its subsidiaries (UOL Group)	UOB Travel Planners Pte Ltd sold travel products and services to and acted as hotel services agent for the UOL Group. The total value of these transactions was \$1,148,938. The Bank bought venue and seminar packages from Pan Pacific Singapore. The total value of these transactions was \$111,708. The Bank rented #09-232 Faber House for 42 months from 16 September 2018 for \$544,320 from UOL Property Investment Pte Ltd. United Overseas Bank (Vietnam) Limited rented Lots 01-08 and M-02A of Pan Pacific Hanoi for 36 months from 2 January 2019 at VND248,105,000 (\$421,530) from Westlake International Company Limited.	Nil
UIC Asian Computer Services Pte Ltd	UOB and its subsidiaries purchased hardware and software from UIC Asian Computer Services Pte Ltd valued at approximately \$36.44 million.	Nil
For the Love of Laundry Pte Ltd	The Bank leased #01-63 One Raffles Place for 36 months from 16 September 2018 at \$180,000 to For the Love of Laundry Pte Ltd.	Nil

Related party transactions under Singapore Financial Reporting Standards (International) or SFRS(I) are disclosed in the Notes to the Financial Statements.

With effect from 1 July 2019, UOB must comply with MAS Notice 643, which governs related party transactions of banks. The role of the board under MAS Notice 643 includes setting the nominal and materiality thresholds for non-exposure related party transactions requiring approval of the board or its delegate and approving certain transactions. Related party transactions can also be interested person transactions. To avoid the duplication of work between the AC and BRMC, the Board

has delegated the responsibility of reviewing and approving related party transactions and interested person transactions to the BRMC. However, the AC will review interested person transactions and provide its independent views in accordance with the SGX-ST Listing Rules.

Material Contracts

No material contract involving the interest of the CEO, any director or controlling shareholder of UOB has been entered into by the Bank or any of its subsidiaries since the end of the previous financial year and no such contract subsisted as at 31 December 2018, save as may be disclosed on SGXNet or herein.

ETHICAL STANDARDS

Code of Conduct

The UOB Code of Conduct lays down the principles of personal and professional conduct, including in the following areas:

- fair dealing in the conduct of business;
- protection of personal data and customer information in accordance with applicable banking secrecy, privacy and data security laws;
- equal opportunity for employees on the basis of merit;
- non-tolerance of discrimination or harassment on the basis of gender, race, age, religion, disability or any other classification that does not create a professional and safe workplace;
- maintenance of a conducive and healthy environment that contributes to the safety and well-being of employees and other stakeholders;
- compliance with applicable laws and regulations, including competition and anti-trust law;
- zero tolerance of bribery, corruption and illegal or unethical dealings, including insider trading and facilitation payments; and
- whistle-blowing.

All employees receive training relating to the code, which embodies the corporate values. New employees are introduced to the code as part of their induction while existing employees refresh their knowledge annually as part of the Bank's self-learning programme. In the performance appraisal system, employees are assessed based on whether their behavior is aligned to the corporate values. Any employee who does not comply with the code may be subject to disciplinary action. The code is reviewed periodically for continued relevance.

Whistle-blowing Policy

Under UOB's whistle-blowing policy, any individual may report, anonymously or otherwise, any suspected or actual wrongdoing (such as fraud and breaches of the law, regulations or UOB's policies) in confidence. The policy sets out the channels through which reports may be made and the procedures by which Group Audit investigates the reports. UOB prohibits reprisal in any form against whistle-blowers who have acted in good faith.

Whistle-blowing reports may be sent to the Head of Group Audit at United Overseas Bank Limited, 396 Alexandra Road, #03-09, Singapore 119954. Reports may also be sent to the AC chairman, CEO or Board Chairman at 80 Raffles Place, UOB Plaza 1, Singapore 048624. All reports received are accorded confidentiality. Group Audit's independent investigation reports are submitted directly to the AC.

The whistle-blowing policy is published on the Bank's intranet. As employees refresh their knowledge of the UOB Code of Conduct on the online training portal annually, they are reminded of their responsibility to report any genuine concern that they may have and of the seriousness that UOB places on whistle-blower protection.

Fair Dealing

The Bank actively promotes fair dealing with customers, putting in place policies, guidelines and best practices to embed the spirit and intent of fair dealing into the organisational culture and daily operations. Employees are reminded of the importance of fair dealing through online training every year. Customers and the general public may give their feedback on the Bank or its products and services via the customer service hotline or feedback form, both of which are available on the UOB website. The Bank has an independent customer complaint review process. The Bank's established, clear processes and procedures ensure that complaints are reviewed and investigated independently, objectively and promptly. The outcome of these investigations are received by an independent compensation review panel whose decisions are communicated to customers clearly. More information on the Bank's commitment to fair dealing can be found in the Customers section of this report.

Securities Dealing

Directors and employees are guided by a code on dealing in securities which requires them to comply with applicable laws on insider dealings at all times. Under the code, directors and employees may not deal in the Bank's securities:

- on short-term considerations;
- whenever they are in possession of price-sensitive information; and
- during the period commencing two weeks before the announcement of the Bank's financial statements for each of the first three quarters of the financial year and one month before the announcement of the Bank's full-year financial statements. The Bank does not deal in its securities during the prohibited dealing periods and informs directors and employees of such periods.

The Bank also has a policy on personal trades in securities. The policy requires employees with access to price-sensitive information in the course of their duties to seek clearance before they can trade in securities listed on a stock exchange.

Every director and the CEO must notify the Bank of his interests in the securities of UOB and its related corporations within two business days after he acquires or disposes of such interests or becomes aware of any change in interests. The Bank will then announce the changes on SGXNet.

Corporate Governance

SUMMARY OF DISCLOSURES

	Page reference
Principles and guidelines in MAS Guidelines (incorporating 2012 Code)	
MAS Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	122-123
MAS Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	123
MAS Guideline 1.5 The type of material transactions that require board approval under guidelines	122
MAS Guideline 1.6 The induction, orientation and training provided to new and existing directors	126
MAS Guideline 1.16 An assessment of how these programmes meet the requirements as set out by the NC to equip the Board and the respective board committees with relevant knowledge and skills in order to perform their roles effectively	126
MAS Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the 2012 Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	124-125
MAS Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	Not applicable
MAS Guideline 2.13 Names of the members of the board executive committee (EXCO) and the key terms of reference of the EXCO, explaining its role and the authority delegated to it by the Board	127
MAS Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members	Not applicable
MAS Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	128
MAS Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	126
MAS Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	126
MAS Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	124
MAS Guideline 4.13 Resignation or dismissal of key appointment holders	Not applicable
MAS Guideline 4.14 Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10	126
MAS Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	124-126

	Page reference
Principles and guidelines in MAS Guidelines (incorporating 2012 Code)	
MAS Guideline 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	128-129
MAS Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	141, 142
MAS Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	141-143
MAS Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	129, 144
MAS Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	183
MAS Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of \$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	129, 144
MAS Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds \$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of \$50,000	129
MAS Guideline 9.5 Details and important terms of employee share schemes	143
MAS Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	141-143
MAS Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems	133-134
MAS Guideline 11.14 Names of the members of the board risk committee and the key terms of reference of the board risk committee, explaining its role and the authority delegated to it by the Board	130
MAS Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	130-133



Corporate Governance

	Page reference
Principles and guidelines in MAS Guidelines (incorporating 2012 Code)	
MAS Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	211
MAS Guideline 12.7 The existence of a whistleblowing policy should be disclosed in the company's Annual Report	137
MAS Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	126, 131
MAS Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	135
MAS Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	Not applicable
MAS Guideline 17.4 Material related party transactions	261-262

Remuneration

We attract, motivate and retain a highly-skilled workforce across our organisation worldwide, while also encouraging values-based behaviours that underpin our financial strength and reputation. Our meritocratic compensation practices support the Group's long-term business strategy and provide a total compensation that reflects fairly each employee's contribution and performance for the year and their upholding of the UOB values in their decision-making and actions.

Group Remuneration Policy

The UOB Group Remuneration Policy sets out the principles and philosophies that guide the design, operation and management of our remuneration programmes. They are designed to support the Group's business strategies and objectives and to comply with the principles and standards set by the Financial Stability Board and by the Monetary Authority of Singapore's (MAS) Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore.

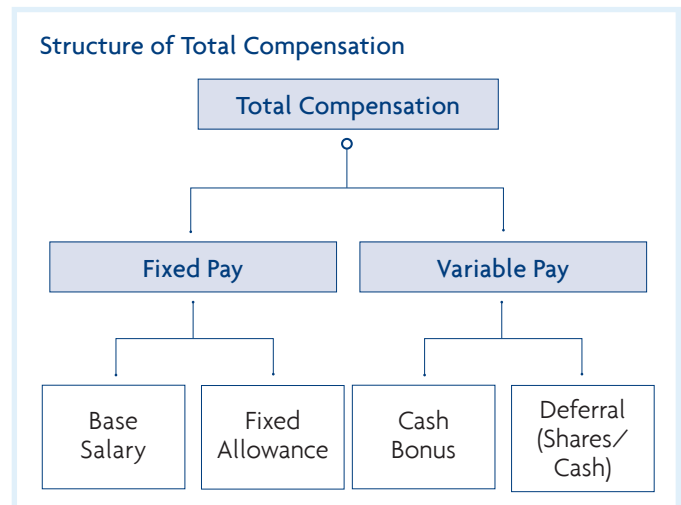
The policy covers the remuneration of directors and all employees, including Senior Management (SM) and Material Risk Takers (MRTs). SM is defined as the Group Chief Executive Officer and members of the Group Management Committee who have the authority and responsibility for their respective Group Functions. MRTs are employees with significant organisational responsibilities that have a material impact on the Group's performance and risk profile, and employees with high risk mandates in the form of risk-weighted assets, trading limits and trading sales budgets. The policy is reviewed by the Remuneration and Human Capital Committee (RHCC) regularly to ensure our compensation practices and programmes take into consideration regulatory requirements and are responsive to market developments.

Our Approach to Remuneration

The Group's compensation structure comprises two main components, namely fixed pay and variable pay. Fixed pay consists of a base salary and fixed allowances that are pegged to the market value of the job. Variable pay (cash bonus and deferrals in the form of cash or shares where applicable) rewards employees based on the performance of the Group and their business unit, as well as the employee's individual performance.

We consider holistically various factors to determine and to ensure fair compensation for every employee. These factors include:

- the market value of the employee's job (Pay for Position);



- the performance of the Group, the employee's business unit and the employee's individual achievement of performance targets (Pay for Performance);
- the employee's personal attributes such as skills and experience (Pay for Person); and
- How well the employee upholds our values (Living the UOB Values).

Pay for Position

The value of each position is benchmarked against comparable positions in the market. Results from salary surveys conducted by established external compensation consultants such as McLagan, Willis Towers Watson and Mercer, were used as market reference for our Group employees' salary benchmarking purposes. The consultants are independent and are not related to UOB or any of our directors.

Pay for Performance

With a Pay for Performance approach, the variable pay is differentiated to ensure employees are recognised, rewarded and motivated for their contributions. We aim to deliver a total compensation that is competitive for differentiated performance.

Remuneration

Pay for Person

An employee's personal attributes such as skills and experience determine how the employee is compensated. Employees who are highly competent and more experienced in their roles typically receive a higher base salary that is commensurate with those personal attributes.

Living the UOB Values

In addition to compensating employees appropriately for their position, contributions and attributes, we also take into consideration how consistently employees behave in respect of our UOB values.

Remuneration Governance

The RHCC determines the total compensation for the Group by considering various factors including the underlying business risks, business outlook, performance and investments in building infrastructure and capability. It seeks to ensure that the compensation for the Group creates long-term value and strengthens the franchise, and is aligned with shareholders' long-term interests. The Board Risk Management Committee (BRMC) also provides input to the RHCC, to ensure that remuneration and incentive practices adopted by the Group do not incentivise inappropriate risk-taking behaviours.

In 2018, the RHCC endorsed the engagement of an external management consulting firm, Oliver Wyman, to provide an independent review of the total compensation model. Following the review, the RHCC approved a revised variable pay deferral

policy for senior employees and MRTs aligned to that for the SM. Oliver Wyman and their consultants are independent and are not related to UOB or any of our directors.

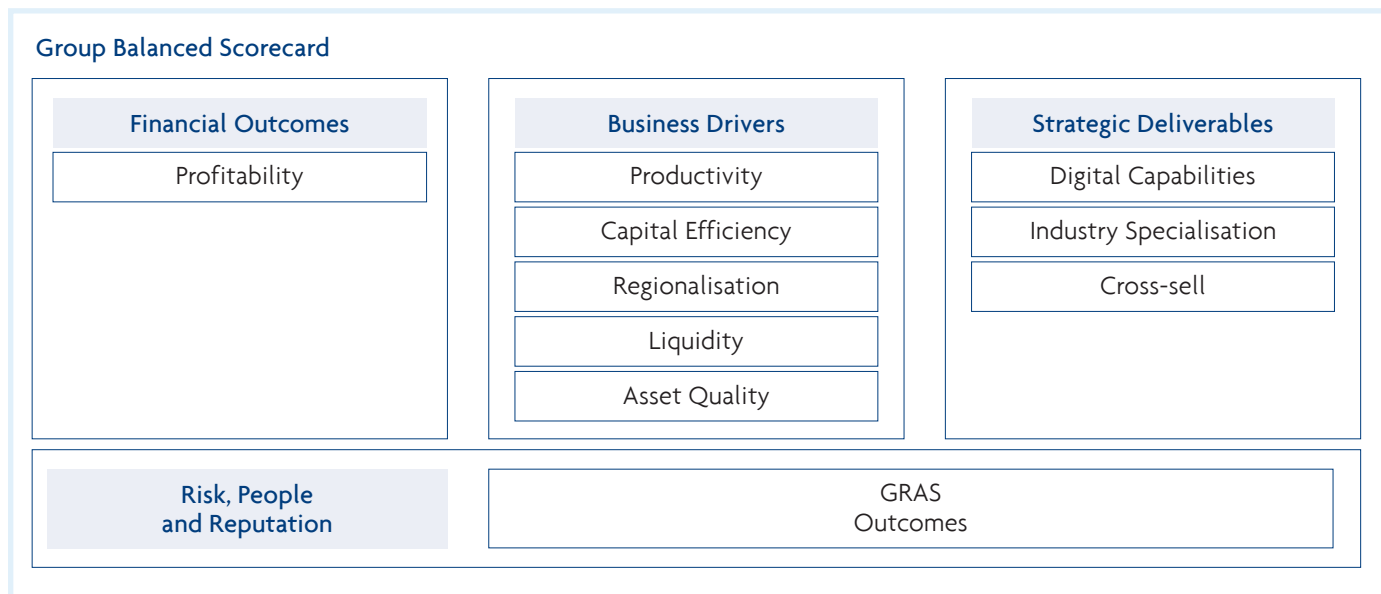
Details of the composition of the RHCC and a summary of its key roles and responsibilities can be found in the Corporate Governance section of this report.

Variable Pay

Determining the Variable Pay Pool

Under the Group's total compensation framework, the total compensation paid to employees is set as a percentage of net profit before tax. The variable pay pool is then determined by the productivity levels achieved based on the performance of the Group's Balanced Scorecard. The Group Balanced Scorecard included metrics for financial outcomes, business drivers, strategic deliverables, risk, people and reputation. For the SM, the variable pay pool is set as a function of net profit before tax and risk-weighted metrics, in line with the Group Balanced Scorecard.

The usage of risk-weighted metrics further emphasises UOB's prudent capital usage and risk management across the Group. Risk, people and reputation are dependent on the outcomes under the Group Risk Appetite Statement (GRAS), as assessed by the BRMC. Depending on the severity of breaches under the GRAS, the RHCC may reduce the variable pay for the year as it deems fit.



Allocating and Distributing the Variable Pay Pool

The Group's variable pay pool allocation to each business unit takes into account the productivity and Balanced Scorecard achievements of each business unit, which are cascaded from the Group's Balanced Scorecard, to ensure alignment of performance objectives across the Group. Country heads are consulted for the variable pay pools allocated to the business units in each country.

Business unit heads reward each employee for his/her individual performance. Employees are assessed based on performance objectives, competency behaviours and behaviours with respect to the UOB values. This balances the quantitative achievement of key performance indicators with the behaviours that each employee is expected to display in achieving his/her objectives. Employees who have exceeded performance expectations are awarded higher variable pay. Conversely, variable pay is not awarded to employees who do not meet the performance expectations for the year.

Control Functions

Employees in control functions, namely Risk Management, Audit, Credit and Compliance, are compensated independently from the performance of any business lines or business units that they oversee. This is to avoid any potential conflict of interest. The compensation of the control function employees is determined based on the overall performance of the Group, the achievement of operational key performance indicators of the control function and the performance of the individual employee. To strengthen further the independence of these control functions, the variable pay for control functions is managed within a guided variance of not more than 10 per cent from the target variable pay. The BRMC and the Audit Committee approve the remuneration for the Chief Risk Officer and the Head of Group Audit respectively.

Variable Pay Deferrals

The Group's variable pay deferral policy applies to senior employees and MRTs. The objective of the deferral policy is to align compensation payment schedules with the time horizon of risks and to encourage employees to focus on delivering sustainable long-term performance.

Under the variable pay deferral policy, variable pay is subject to deferral ranging from 20 per cent to 60 per cent, with the proportion of deferral increasing with the amount of variable pay received.

Variable pay deferrals are either in the form of deferred cash or shares under the Executive Equity Plan (EEP) and will vest over three years.

Executive Equity Plan

The EEP forms the Group's long-term compensation component for senior employees which is essential in meeting the following objectives:

- align the long-term interests of senior employees with those of shareholders;
- retain key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- attract potential employees with the relevant skills to contribute to the Group and to create value for shareholders; and
- better risk alignment with the Group over the longer term.

Deferral Guidelines

The deferral guidelines apply consistently to all senior employees and MRTs as well as retiring, retired and retrenched employees. There is no accelerated payment of deferred compensation for employees leaving the Group other than in exceptional cases, such as death in service. There is also no special retirement plan, golden parachute or special severance package for SM and MRTs. Employees who resign or whose services are terminated will forfeit any unvested deferrals.

In addition, the vesting of deferred compensation is subject to the following deferral guidelines:

Guidelines on Treatment of Deferred Variable Pay

Malus of Unvested Compensation

- Material Misconduct
- Material Restatement of Financial Results
- Bank-wide Losses

Clawback of Paid Compensation

- Gross Misconduct
- Financial Misstatements
- Material Risks
- Malfeasance or Fraud

The RHCC reserves the discretionary powers to enforce *malus* and the clawback of any paid compensation.

Remuneration

Remuneration Outcomes in 2018

The Group registered strong performance in 2018, reflecting double-digit growth in net earnings. This was supported by higher net interest margin on the back of rising interest rates, and healthy loan growth across our client franchise. There was broad-based growth for business segments while regional markets delivered stronger contribution notably in Thailand, Indonesia and Greater China. The cost-to-income ratio was relatively stable as the Group remains disciplined while investing in talent development, regional connectivity and digital capabilities. Credit costs eased as new non-performing loans formation declined amid an improved credit environment. Balance sheet strength was supported by the Group's stable capital and funding base, while return on risk-weighted assets improved.

The RHCC considered both the Group's overall performance and the GRAS outcomes when determining the Group's compensation.

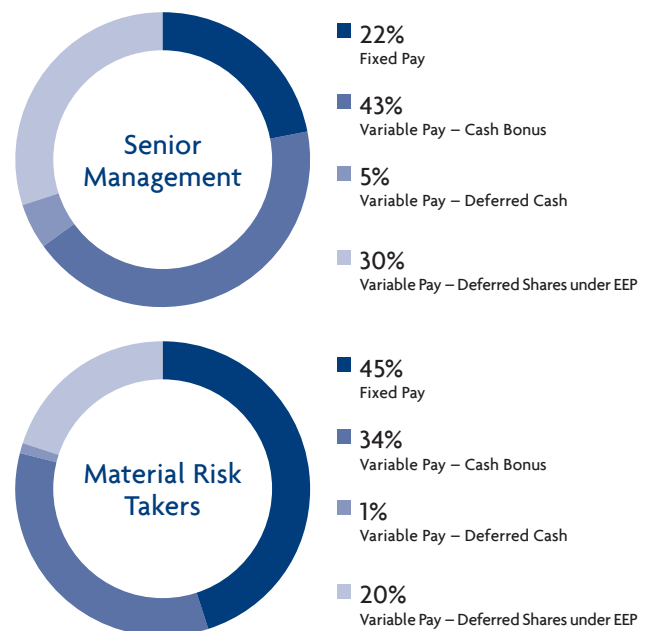
Senior Management and Material Risk Takers

While the MAS Guidelines recommend the disclosure of the remuneration of the top five non-director executives, the Bank believes that it would be disadvantageous for us to do so given the highly competitive market for talent as most banks in Singapore are not listed on the Singapore Exchange and are therefore not required to disclose such information.

Guaranteed Bonuses, Sign-On Awards and Severance Payments

Category of Remuneration	SM	MRTs
Number of guaranteed bonuses	0	1
Number of sign-on awards	0	13
Number of severance payments	0	0
Total amounts of above payments made for the financial year (\$'000)	0	2,602
Number of employees	15	193
Number of employees that received variable pay	15	190

Breakdown of 2018 Remuneration Awarded to SM and MRTs



Breakdown of deferred remuneration

Deferred and retained remuneration	Total outstanding deferred remuneration	of which: total outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustments	Total amendments during the year due to ex post explicit adjustments ⁽¹⁾	Total amendments during the year due to ex post implicit adjustments ⁽²⁾	Total deferred remuneration paid out in the financial year
Senior management	100%	100%	0%	0%	33%
Cash	17%	17%	0%	0%	8%
Shares and share-linked instruments	83%	83%	0%	0%	25%
Other forms of remuneration	0%	0%	0%	0%	0%
Other material risk-takers	100%	100%	0%	0%	28%
Cash	0%	0%	0%	0%	0%
Shares and share-linked instruments	100%	100%	0%	0%	28%
Other forms of remuneration	0%	0%	0%	0%	0%

(1) Examples of ex post explicit adjustments include *malus*, clawbacks or similar reversals or downward revaluations of awards.

(2) Examples of ex post implicit adjustments include fluctuations in the value of shares or performance units.



Risk Management

Managing risk is an integral part of our business strategy. Our risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of our stakeholders, while remaining nimble to seize value-creating business opportunities in a fast-changing environment. We are committed to upholding high standards of corporate governance, sound risk management principles and business practices to achieve sustainable, long-term growth. We continually strive towards best risk management practices to support our strategic objectives.

2018 Highlights

Managing Risks for Sustainable Growth

In 2018, Group Risk Management implemented several initiatives to strengthen our approach to managing the risks faced by the Group. In particular, we completed a review of the Bank's technology risk capabilities, following which we established a dedicated Technology Risk Management (TRM) Division with governance and oversight of technology risk management across the Group. The team works closely with business and support units to oversee, to review and to strengthen their current practices in technology risk management. Since its inception, TRM has also enhanced the Group's Technology Risk Appetite to encapsulate our strategic technology and cyber risk goals, which are tracked and measured through a technology risk dashboard.

We integrated our trading and capital reporting processes to enhance our regulatory reporting. We also deepened our market risk management capabilities in anticipation of new regulatory requirements that will take effect in 2022. Simultaneously, we started laying the groundwork to adopt more advanced market risk models in the future.

During the year, our Operational Risk Management Division implemented the Scenario Analysis programme, a forward-looking qualitative tool to facilitate the proactive identification and mitigation of risks and control gaps. We also completed the inaugural Scenario Analysis exercise with key stakeholders, tapping relevant business and risk-subject expertise for various plausible operational scenarios, including events that had occurred in the finance industry. Given the evolving risk landscape, the lessons we learn and the control gaps we identify continually help us to strengthen the Bank's internal controls via our risk management programmes.

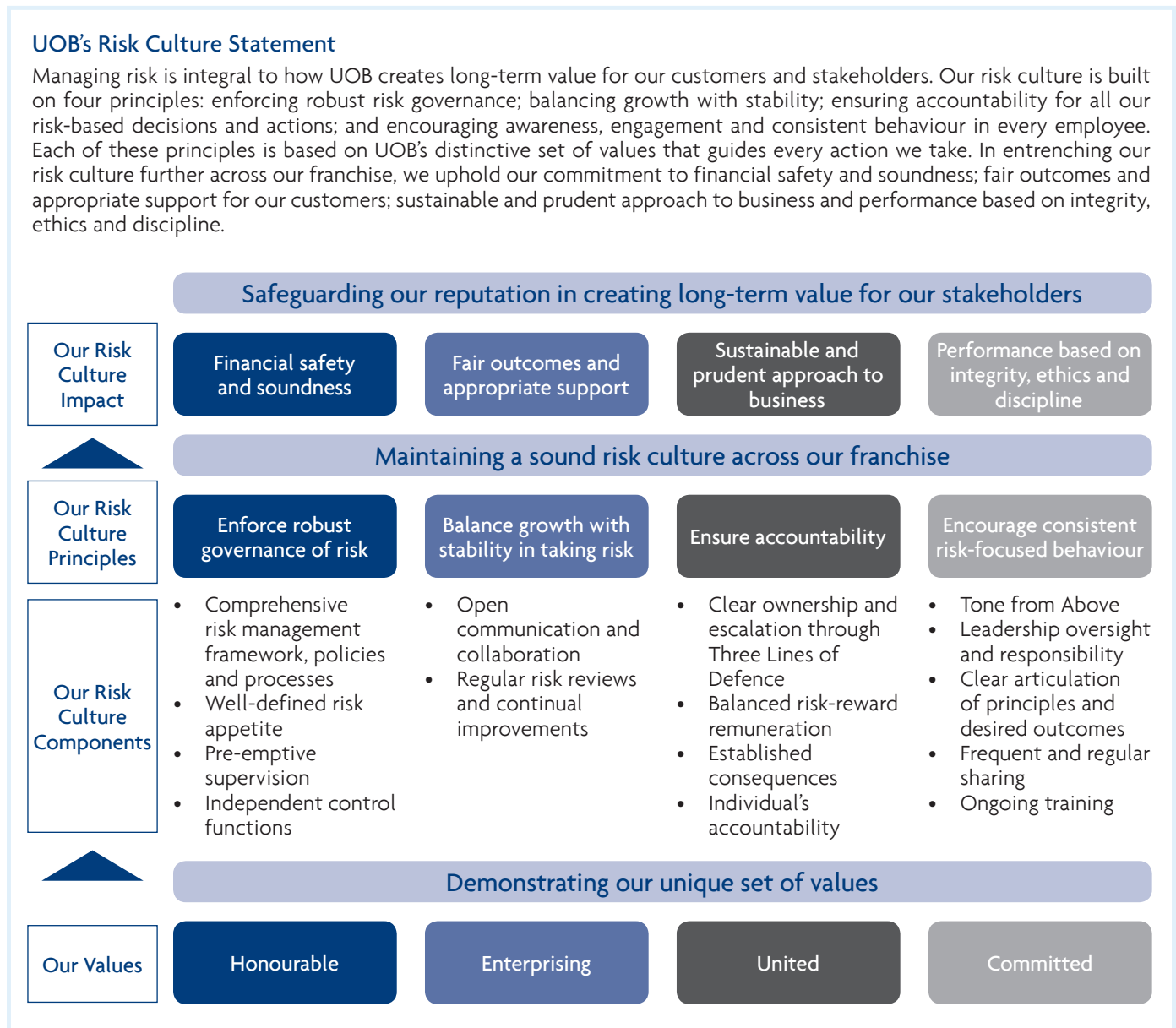
To facilitate liquidity risk management, we are implementing robotic process automation to improve the efficiency of our reporting processes.

Recognising the credit, operational and reputational risk implications of environmental, social and governance (ESG) issues, in 2018 we included ESG risk as one of our material risks. In this regard, we monitor and assess proactively the impact of a wide range of ESG issues on the Group. To manage better the relevant ESG risks in our wholesale lending portfolio, we enhanced our ESG risk classification of borrowers and our Responsible Financing Policy, including tightening our stance towards coal financing to help mitigate increasing climate-related risks*.

* More information on our Responsible Financing Policy can be found in the Customers chapters.

Maintaining a Sound Risk Culture

We believe that a strong risk culture is vital to the long-term sustainability of the Bank's business franchise. It ensures that our decisions and actions are considered and focused on our customers, and that we are not side-tracked by perceived short-term gains. Specifically, risk culture refers to the norms, attitudes and behaviours related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks*. At UOB, our risk culture is based on our values.



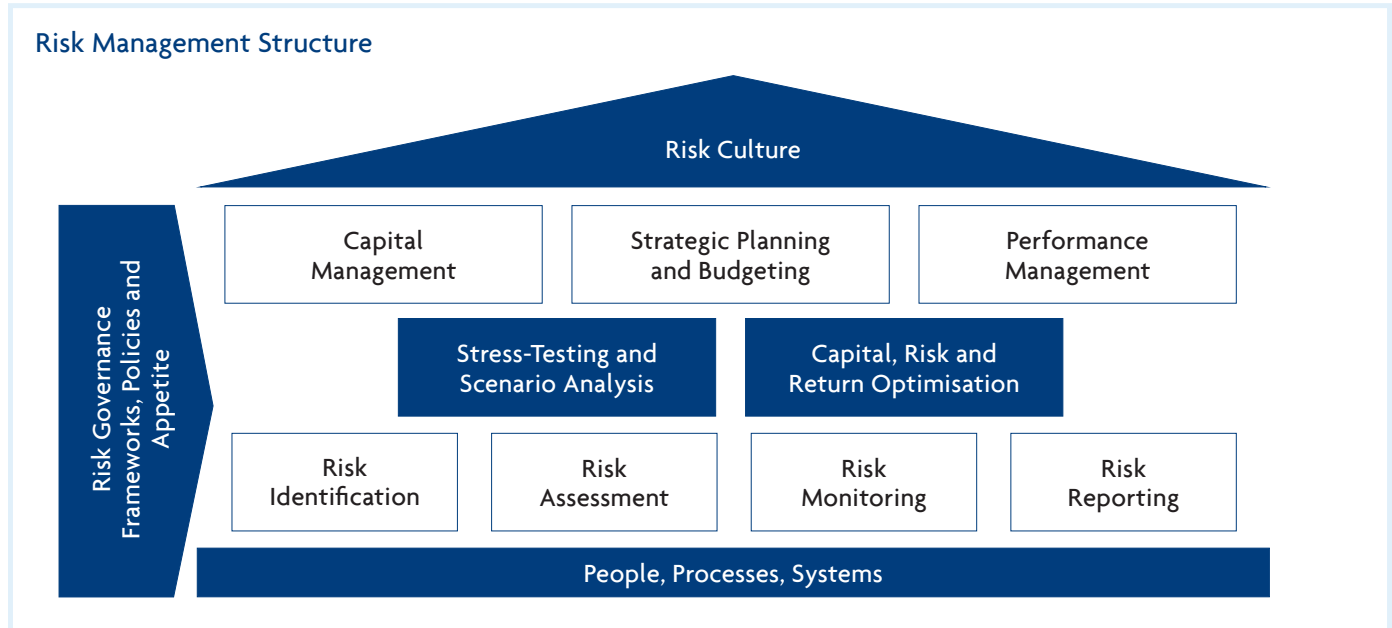
In 2018, we undertook a self-assessment of our risk culture based on the Financial Stability Board guidelines. Overall the assessment indicated that the Group had the appropriate practices in place to promote the desired risk culture, to espouse our values and to shape the right risk-taking behaviour.

This correlates with our employee engagement survey results where the Risk Management score was high. We will continue to conduct the self-assessment and employee engagement survey periodically to monitor and to assess the organisation's risk culture.

* Guidelines, Corporate Governance Principles for Banks, Basel Committee on Banking Supervision, July 2015.

Risk Management

UOB's risk management structure, as shown in the following diagram, underpins the Group's risk culture. Under the structure, the various risk and control oversight functions work with the business and support units to identify their risks and to facilitate their risk and control self-assessments.



Our risk management strategy is targeted at embedding our risk culture so as to facilitate ongoing effective discovery, management and mitigation of risks arising from external factors and our business activities and to set aside adequate capital efficiently to address these risks. Risks are managed within levels established by the senior management committees and approved by the Board and its committees. We have put in place a framework of policies, methodologies, tools and processes that will help us identify, measure, monitor and manage material risks faced by the Group. This enables us to concentrate our efforts on the fundamentals of banking and to create long-term value for all our stakeholders.

The Group's risk governance frameworks, policies and appetite provide the principles and guidance for the Group's risk management activities. They help to shape our key decisions for capital management, strategic planning and budgeting, and performance management to ensure that the risk dimension is appropriately and sufficiently considered. In particular, the Group's Internal Capital Adequacy Assessment Process (ICAAP), which incorporates stress-testing, takes into consideration the Group's risk appetite to ensure that the Group's capital, risk and return are within acceptable levels under various stress scenarios. We also take into consideration the Group Risk Appetite in the development of risk-related key performance indicators (KPIs) for performance measurement. This serves to embed a risk culture and risk management mindset throughout the organisation.

Our risk identification, assessment, monitoring and reporting processes are governed by applicable risk management frameworks, policies and appetites. Risk reports are regularly submitted to Management and the Board to keep them apprised of the Group's risk profile.

Risk Governance

UOB's responsibility for risk management starts with the Board overseeing a governance structure that is designed to ensure that the Group's business activities are:

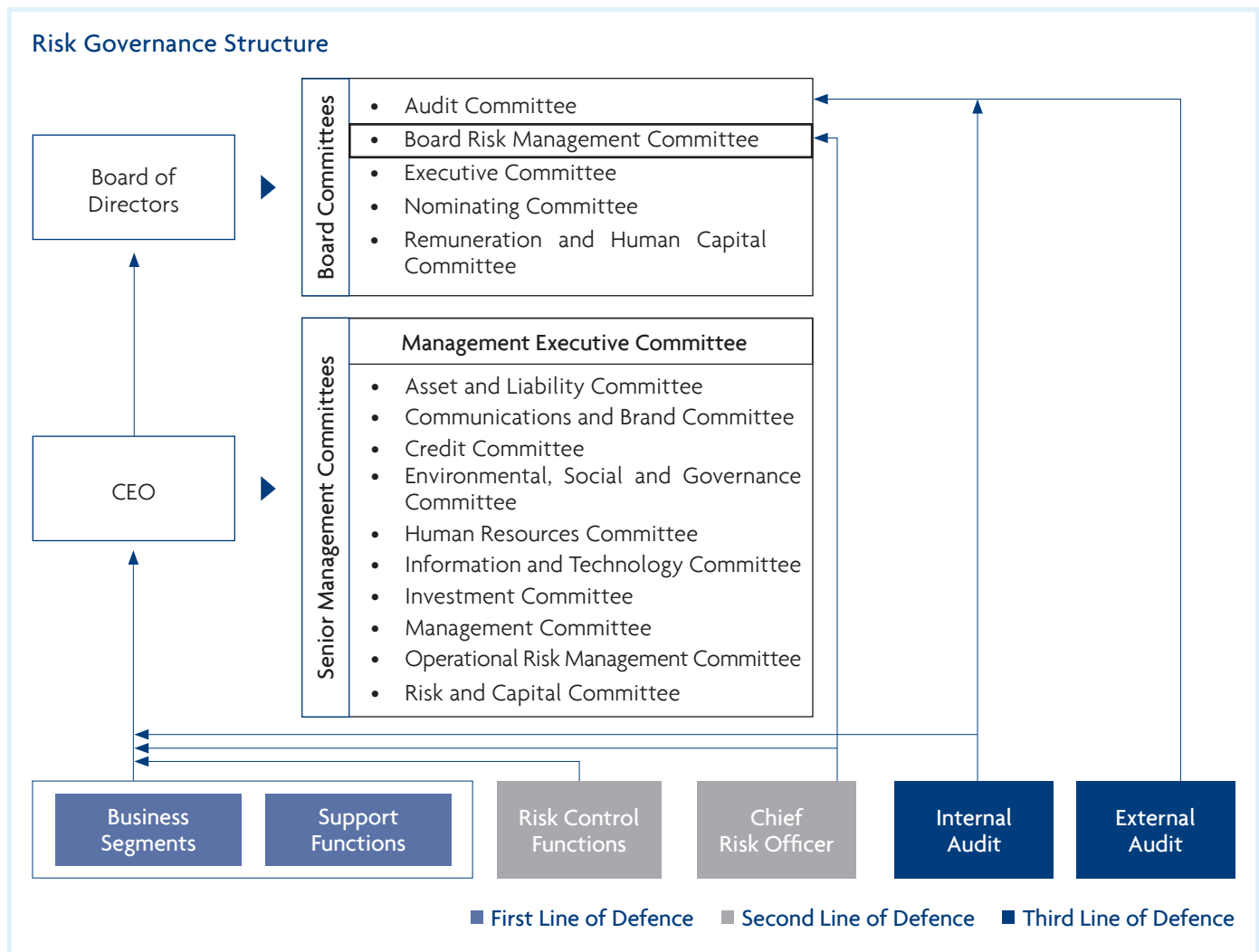
- conducted in a safe and sound manner and in line with the highest standards of professionalism;
- consistent with the Group's overall business strategy and risk appetite; and
- subjected to adequate risk management and internal controls.

In this regard, the Board is primarily assisted by the Board Risk Management Committee (BRMC). The BRMC reviews the overall risk appetite and level of risk capital to be maintained for the Group. From 2019, credit-related matters previously under the BCC's purview have been subsumed under the BRMC.

The CEO has established senior management committees to assist him in making business decisions with due consideration to risks and returns. The main senior management committees involved in this are the Management Executive Committee (MEC), Risk and Capital Committee (RCC), Asset and Liability Committee (ALCO), Credit Committee (CC) and Operational Risk Management Committee (ORMC). These committees also assist the Board Committees in specific risk areas.

The Management and the senior management committees are authorised to delegate risk appetite limits by location, business units and/or broad product lines.

Risk management is the responsibility of every employee in the Group. Risk awareness and accountability are embedded in our culture through an established framework that ensures appropriate oversight and accountability for the effective management of risk throughout the Group and across risk types. This is executed through an organisational control structure that provides three “Lines of Defence” as follows:



First Line of Defence – The Risk Owner

The business and support functions have primary responsibility for implementing and executing effective controls to manage the risks arising from their business activities. This includes establishing adequate managerial and supervisory controls to ensure compliance with risk policies, appetite, limits and controls and to highlight control breakdowns, inadequacy of processes and unexpected risk events.

Second Line of Defence – Risk Oversight

The risk and control oversight functions (Group Credit and Risk Management, and Group Compliance) and the Chief Risk Officer (CRO) provide the Second Line of Defence.

The risk and control oversight functions support the Group’s strategy of balancing growth with stability by establishing risk frameworks, policies, appetite and limits within which the business functions must operate. The risk and control

Risk Management

oversight functions are also responsible for the independent review and monitoring of the Group's risk profile and for highlighting any significant vulnerabilities and risk issues to the respective management committees.

The independence of risk and control oversight functions from business functions ensures the necessary checks and balances are in place.

Third Line of Defence – Independent Audit

The Group's internal and external auditors conduct risk-based audits covering all aspects of the First and Second Lines of Defence to provide independent assurance to the CEO, Audit Committee and the Board, of the effectiveness of the risk management and control structure, policies, frameworks, systems and processes.

The Group's governance framework also provides oversight for our overseas banking subsidiaries through a matrix reporting structure. Our subsidiaries, in consultation with Group Risk Management, adapt the governance structure, frameworks and policies accordingly to comply with local regulatory requirements. This ensures the approach across the Group is consistent and sufficiently flexible to suit local operating environments.

Risk Appetite

UOB has established a risk appetite framework to define the amount of risk we are able and willing to take in pursuit of our business objectives. The purpose of establishing a risk appetite framework is not to limit risk-taking but to ensure that the Group's risk profile remains within well-defined and tolerable boundaries. The framework was formulated based on the following key criteria:

- relevance to respective stakeholders, with appropriate levels of granularity;

- practical, consistent and easy-to-understand metrics for communication and implementation;
- alignment to key elements of the Group's business strategy; and
- analytically-substantiated and measurable metrics.

The risk appetite defines suitable thresholds and limits across key areas including but not limited to credit risk, country risk, market risk, liquidity risk, operational risk and reputation risk. Our risk-taking approach is focused on businesses which we understand and are well-equipped to manage the risks involved. Through this approach, we aim to minimise earnings volatility and concentration risk and to ensure that our high credit rating, strong capital and funding base remain intact. This enables us to be a steadfast partner of our customers through changing economic conditions and cycles.

UOB's risk appetite framework and risk appetite are reviewed and approved annually by the Board. The Management monitors and reports the risk profiles and compliance with the risk appetite to the Board.

Material Risks

UOB's business strategies, products, customer profiles and operating environment expose us to a number of financial and non-financial risks. Identifying and monitoring key risks are integral to the Group's approach to risk management. It enables us to make proper assessments and to mitigate these risks proactively across the Group. The following table lists the key risks which could impact the success of achieving the Group's strategic objectives:

Material Risk	Definition	How risk is managed
Credit Risk	The risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations are due.	Through the Group's credit risk management framework, policies, probability of default/loss given default/exposure at default/portfolio models and limits.
Market Risk	The risk of loss to the Group from movements in the market rates or prices (such as changes in interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads) of the underlying asset. It includes interest rate risk in the banking book which is the potential loss of capital or reduction in earnings due to changes in interest rate environment.	Through the Group's market risk management framework, policies, Value-at-Risk models and limits. Interest rate risk in the banking book is managed through the Group's balance sheet risk management framework, and interest rate risk in the banking book management policies and limits.
Liquidity Risk	The risk that arises from the Group's inability to meet its obligations or fund increases in assets as they fall due.	Through the Group's balance sheet risk management framework, liquidity risk management policies, ratios and limits.

Material Risk	Definition	How risk is managed
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Potential loss may be in the form of financial loss or other damage, for example, loss of reputation and public confidence that will impact the Bank's creditability and ability to transact, to maintain liquidity and to obtain new business. This includes banking operations risk, fraud risk, legal risk, outsourcing risk, regulatory risk, reputational risk and technology risk.	Through the respective risk management frameworks, policies, key risk and control self-assessments, Key Operational Risk Indicators and Incident Management.
Strategic Risk	The current or prospective negative impact on earnings, capital or reputation arising from adverse strategic decisions, improper implementation of decisions or a lack of responsiveness to industry, economic or technological changes.	Through the Group's strategic and business risk management policy.
Business Risk	The adverse impact on earnings or capital arising from changes in business parameters such as volumes, margins and costs.	Through the Group's strategic and business risk management policy.
Model Risk	This is the risk arising from: <ul style="list-style-type: none"> the use of a model which cannot accurately evaluate market prices, or which is not a mainstream model in the market (pricing models); or inaccurately estimating the probability or magnitude of future losses (risk measurement models). 	Through the model risk governance framework and managed under the respective material risk types for which there is a quantitative model.
Environmental, Social and Governance Risk	The risk of credit loss or non-financial risks, such as reputational damage, arising from environmental, social and governance issues, including climate change. While a key component of ESG risk arises indirectly from the financial services we provide to our customers, it can also result directly from our own operations.	The different aspects of ESG risk are managed through the relevant frameworks, policies and guidelines in place, including the Group's Responsible Financing Policy.

UOB has adopted the Basel Framework and observes the Monetary Authority of Singapore (MAS) Notice to Banks No. 637 – Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore. We continue to adopt a prudent and proactive approach in navigating the evolving regulatory landscape, with emphasis on sound risk management principles in delivering sustainable returns.

We have adopted the Foundation Internal Ratings-Based (FIRB) Approach for our non-retail exposures and the Advanced Internal Ratings-Based (AIRB) Approach for our retail exposures. For market risk and operational risk, the Group has adopted the respective Standardised Approaches (SA).

We have also adopted the ICAAP to assess on an ongoing basis the amount of capital necessary to support our activities. We review the ICAAP periodically to ensure that the Bank remains well-capitalised after considering all material risks. Stress-testing is conducted to determine capital adequacy under stressed conditions.

The Group's Pillar 3 Disclosure Policy addresses the disclosure requirements specified in MAS Notice 637. Please refer to the 'Pillar 3 Disclosure' section for further information.

Credit Risk

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations are due. Credit risk is the single largest risk that we face in our core business as a commercial bank, arising primarily from loans and other lending-related commitments to retail, corporate and institutional borrowers. Treasury and capital market operations and investments also expose the Group to counterparty and issuer credit risks.

Integral to the management of credit risk is a framework that clearly defines policies and processes relating to the measurement and management of credit risk. The framework helps to foster a robust culture of identification, measurement and management of credit risk within the Group. The Group adopts an holistic approach towards assessing credit risk and ensures that managing credit risk is part of an integrated approach to enterprise risk management. We review and stress-test the Group's portfolio regularly. We continually monitor the operating environment to identify emerging risks and to formulate mitigating actions.

Risk Management

Credit Risk Governance and Organisation

The CC is the key oversight committee for credit risk. It supports the CEO and BRMC (previously, BCC) in managing the Group's overall credit risk exposures. It serves as an executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and systems. The CC also reviews and assesses the Group's credit portfolios and credit risk profiles.

The Country and Credit Risk Management Division under Group Risk Management develops Group-wide credit policies and guidelines, and focuses on facilitating business development within a framework that results in prudent, consistent and efficient credit risk management. It is responsible for the reporting, analysis and management of all elements of credit risk to the CC and the BRMC (previously, BCC). The comprehensive credit risk reports cover business segments at the overall portfolio level by various dimensions including industry, product, country and banking subsidiaries.

Credit Risk Policies and Processes

We have established credit policies and processes to manage credit risk in the following key areas:

Credit Approval Process

To maintain the independence and integrity of the credit approval process, our credit origination and approval functions are clearly segregated. Credit approval authority is delegated to officers based on their experience, seniority and track record. All credit approval officers are guided by credit policies and credit acceptance guidelines which are periodically reviewed to ensure their continued relevance to the Group's business strategy and the business environment. Credit approval is based on a risk-adjusted scale according to a borrower's credit rating.

Counterparty Credit Risk

Unlike normal lending risk where the notional amount at risk can be determined with a high degree of certainty during the contractual period, counterparty credit risk exposure fluctuates with market variables. Counterparty credit risk is measured as the sum of current mark-to-market value and an appropriate add-on factor for potential future exposure (PFE). The PFE factor is an estimate of the maximum credit exposure over the remaining life of the foreign exchange (FX)/derivative transaction and is used for limit-setting and internal risk management.

The Group has also established policies and processes to manage wrong-way risk, i.e. where the counterparty credit exposure is positively correlated with its default risk. Transactions that exhibit such characteristics are identified and reported to the CC on a regular basis. In addition, transactions with specific wrong-way risk are generally rejected at the underwriting stage.

Exposures arising from FX, derivatives and securities financing transactions are typically mitigated through agreements such as the International Swaps and Derivatives Association Master Agreements, the Credit Support Annex and the Global Master Repurchase Agreements. Such agreements help to minimise credit exposure by allowing us to offset what we owe to a counterparty against what is due from that counterparty in the event of a default.

In addition, derivative transactions are cleared through Central Counterparties, where possible, to reduce counterparty credit exposure further through multilateral netting and the daily margining process.

The Group's foreign exchange-related settlement risk is significantly reduced through our participation in the Continuous Linked Settlement system. This system allows transactions to be settled irrevocably on a payment-versus-payment basis.

As at 31 December 2018, UOB would not have been required to post additional collateral had our credit rating been downgraded by two notches.

Credit Concentration Risk

Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. This is managed by setting exposure limits on obligor groups, portfolios, borrowers, industries and countries, generally expressed as a percentage of the Group's eligible capital base.

We manage our credit risk exposures through a robust credit underwriting, structuring and monitoring process. While the Group proactively minimises undue concentration of exposure in our portfolio, our credit portfolio remains concentrated in Singapore and Malaysia. The Group's cross-border exposure to China has increased over the years, consistent with rising trade flows between China and Southeast Asia. The Group manages its country risk exposures within an established framework that involves setting limits for each country. Such limits are based on the country's risk rating, economic potential measured by its gross domestic product and the Group's business strategy.

The Group's credit exposures are well-diversified across industries, with the exception of the Singapore real estate sector (due mainly to the high home ownership rate). We remain vigilant about risks in the sector and take active steps to manage our exposure while continuing to maintain a prudent stance in approving real estate-related loans.

We perform regular assessments of emerging risks and in-depth reviews on industry trends to provide a forward-looking view on developments that could impact the Group's portfolio. We also conduct frequent stress-testing to assess the resilience of the portfolio in the event of a marked deterioration in operating conditions.

Credit Stress Tests

Credit stress-testing is a core component of the Group's credit portfolio management process. The three objectives of stress-testing are: (i) to assess the profit and loss and balance sheet impact of business strategies, (ii) to quantify the sensitivity of performance drivers under various macroeconomic and business planning scenarios; and (iii) to evaluate the impact of Management decisions on capital, funding and leverage. Under stress scenarios such as a severe recession, significant losses from the credit portfolio may occur. Stress tests are used to assess if the Group's capital can withstand such losses and their impact on profitability and balance sheet quality. Stress tests also help us to identify the vulnerability of various business units and would enable us to formulate appropriate mitigating actions thereafter.

Our stress test scenarios consider potential and plausible macroeconomic and geopolitical events in varying degrees of likelihood and severity. We also consider varying strategic planning scenarios where the impact of different business scenarios and proposed managerial actions are assessed. These are developed in consultation with relevant business units and are approved by Management.

Credit Risk Mitigation

Our potential credit losses are mitigated through a variety of instruments such as collateral, derivatives, guarantees and netting arrangements. As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. Our collaterals are mostly properties while other types of collateral taken by the Group include cash, marketable securities, equipment, inventories and receivables. We have in place policies and processes to monitor collateral concentration. Appropriate haircuts are applied to the market value of collaterals, reflecting the underlying nature of the collaterals, quality, volatility and liquidity. In addition, collateral taken by the Group has to fulfill certain criteria (such as legal certainty across relevant jurisdictions) in order to be eligible for the Internal Ratings-Based Approach (IRBA) purposes.

In extending credit facilities to small- and medium-sized enterprises (SMEs), we also often take personal guarantees as a form of moral support to ensure moral commitment from the principal shareholders and directors. For IRBA purposes, we do not recognise personal guarantees as an eligible credit risk protection. Corporate guarantees are often obtained when the borrower's creditworthiness is not sufficient to justify an extension of credit. To recognise the effects of guarantees under the FIRB Approach, we adopt the Probability of Default (PD) substitution approach whereby the PD of an eligible guarantor of an exposure will be used for calculating the capital requirement.

Credit Monitoring and Remedial Management

The Group regularly monitors credit exposures, portfolio performance and emerging risks that may impact our credit risk profile. The Board and senior management committees are updated on credit trends through internal risk reports. The reports also provide alerts on key economic, political and environmental developments across major portfolios and countries, so that mitigating actions can be taken where necessary.

Delinquency Monitoring

We closely monitor the delinquency of borrowing accounts as it is a key indicator of credit quality. An account is considered delinquent when payment has not been received by the payment due date. Any delinquent account, including a revolving credit facility (such as an overdraft) with limit excesses, is closely monitored and managed through a disciplined process by officers from business units and the risk management function. Where appropriate, such accounts are also subject to more frequent credit reviews.



Risk Management

Classification and Loan Loss Impairment

We classify our credit portfolios according to the borrowers' ability to repay the credit facilities from their normal source of income. There is an independent credit review process to ensure the appropriateness of loan grading and classification in accordance with MAS Notice 612.

All borrowing accounts are categorised into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-Performing or Impaired accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS Notice 612. Any account which is delinquent or past due (or in excess of the approval limit for a revolving credit facility such as an overdraft) for more than 90 days will be automatically categorised as 'Non-Performing'. In addition, any account that exhibits weaknesses which are likely to jeopardise repayment on existing terms may be categorised as 'Non-Performing'. The accounting definition of impaired and the regulatory definition of default are generally aligned.

Upgrading and de-classification of a Non-Performing account to 'Pass' or 'Special Mention' status must be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. We must also be satisfied that once the account is de-classified, the account is unlikely to be classified again in the near future.

A credit facility is restructured when a bank grants concessions (usually non-commercial) to a borrower because of a deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule.

A restructured account is categorised as 'Non-Performing' and placed on the appropriate classified grade based on our assessment of the financial condition of the borrower and the ability of the borrower to repay under the restructured terms. A restructured account must comply fully with the requirements of MAS Notice 612 before it can be de-classified.

The Group provides for impairment of our overseas operations based on local regulatory requirements for local reporting purposes. Where necessary, additional impairment is provided to comply with the Group's impairment policy and the MAS' requirements.

Group Special Asset Management

Group Special Asset Management is an independent division that manages the restructuring, workout and recovery of the Group's Non-Performing Asset (NPA) portfolios. Its primary objectives are (i) to nurse the NPA back to financial health whenever possible for transfer back to the business unit for management; and (ii) to maximise recovery of the NPA that the Group intends to exit.

Write-Off Policy

A non-performing account will be written off when the prospect of a recovery is considered poor or when all feasible avenues of recovery have been exhausted.

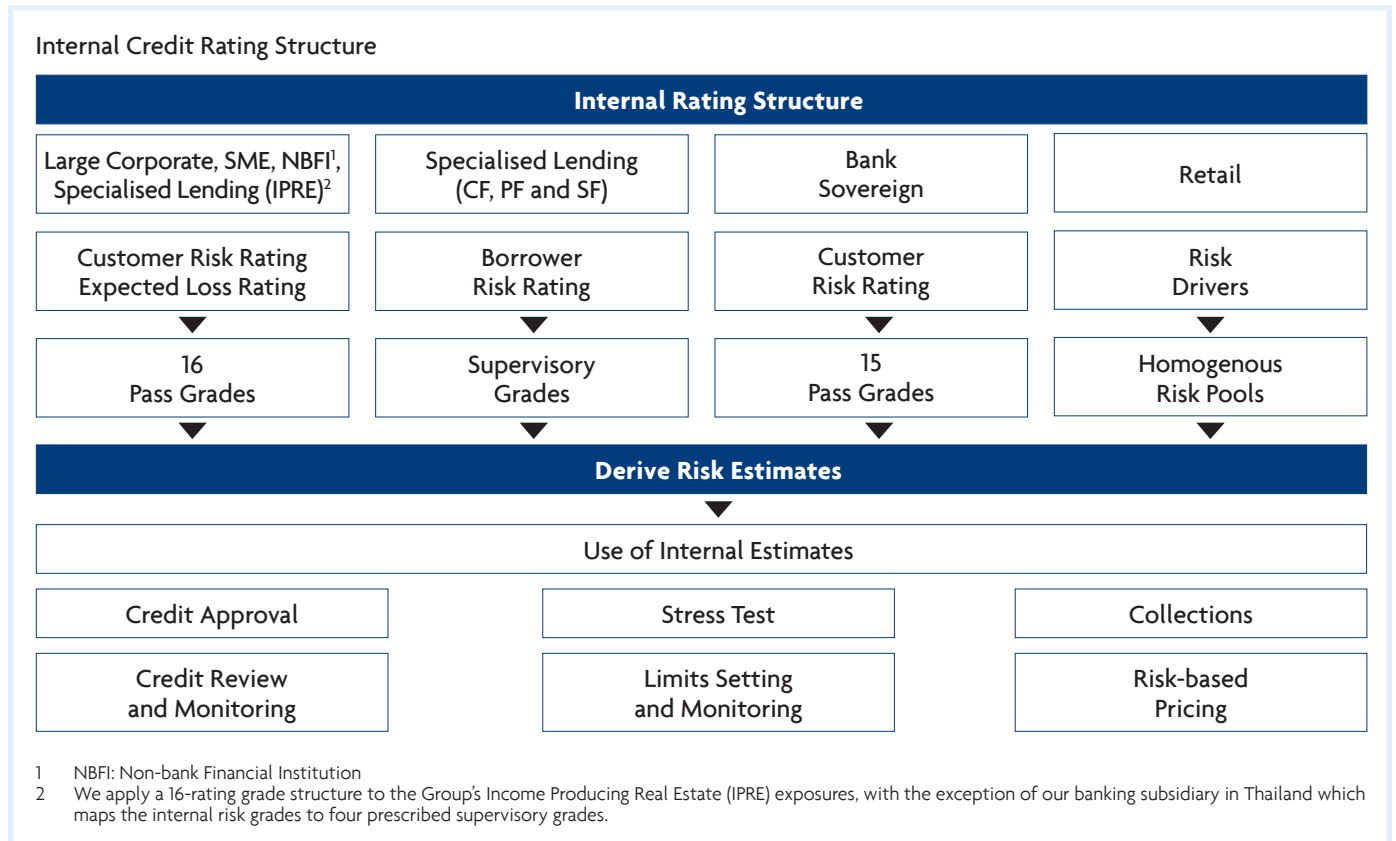
Internal Credit Rating System

We employ internal rating models to support the assessment of credit risk and the assignment of exposures to rating grades or pools. Internal ratings are used pervasively by the Group in the areas of credit approval, credit review and monitoring, credit stress-testing, limits setting, pricing and collections.

The Group has established a credit rating governance framework to ensure the reliable and consistent performance of our rating systems. The framework defines the roles and responsibilities of the various parties in the credit rating process, including model changes, model performance monitoring, annual model validation and independent reviews by Group Audit.

Credit risk models are independently validated before they are implemented to ensure that they are fit for purpose. We monitor the robustness of these rating models on an ongoing basis and all models are subject to annual reviews conducted by model owners to ascertain that the chosen risk factors and assumptions continue to remain relevant for the respective portfolios. All new models, model changes and annual reviews are approved by the CC or the BRMC (previously, BCC), depending on the materiality of the portfolio.

The Group's internal rating structure is illustrated as follows:



Non-Retail Exposures

We have adopted the FIRB Approach for our non-retail exposures. Under this approach, the internal models estimate a PD or supervisory slot for each borrower. These models cover 73.9 per cent of the Total Credit Risk risk-weighted assets (RWA) and employ qualitative and quantitative factors to provide an assessment of the borrower's ability to meet their financial obligations. The models are calibrated to provide an estimate of the likelihood of default over a one-year time horizon. A default is considered to have occurred if:

- the obligor is unlikely to pay its credit obligations in full to the Group, without recourse by the Group to actions such as realising the security; or
- the obligor is past due for more than 90 days on any credit obligation to the Group.

Supervisory loss given default (LGD) and exposure at default (EAD) parameters prescribed by the MAS are used together with the internal credit ratings to calculate risk weights and regulatory capital requirements.

While the Group's internal risk rating grades may show some correlation with the rating grades of External Credit Assessment Institutions (ECAIs), they are not directly comparable with or equivalent to the ECAI ratings.

Corporate Portfolio

We have developed Corporate models to rate Non-Bank Financial Institution (NBF1), Large Corporate and SME portfolios. Credit risk factors used to derive a borrower's risk rating include the borrower's financial strength, quality of management, business risks and the industry in which it operates. The borrower risk rating process is augmented by facility risk ratings, which take into account the type and structure of the facility, availability and type of collateral and seniority of the exposure.

The Group's internal rating grade structure for the NBF1, Large Corporate and SME models consists of 16 pass grades. The models are mapped to the rating scale by calibration that takes into account the respective portfolio's long-term average default rate.

Risk Management

Specialised Lending Portfolio

We have also developed models for four Specialised Lending portfolios, namely (i) Income Producing Real Estate (IPRE); (ii) Commodities Finance (CF); (iii) Project Finance (PF); and (iv) Ship Finance (SF). These models produce internal risk grades which are derived based on a comprehensive assessment of financial and non-financial risk factors.

Risk grades derived for the CF, PF and SF portfolios are mapped to four supervisory slotting categories as prescribed under MAS Notice 637, which determines the risk weights to be applied to such exposures.

The rating grade structure for the IPRE portfolio follows that of the Corporate models, with 16 pass grades, with the exception of our banking subsidiary in Thailand which maps the internal risk grades to the four prescribed supervisory slotting categories.

Sovereign Portfolio

Exposures in our Sovereign portfolio are rated by our internal Sovereign model, which considers public debt levels, balance of payments, fiscal budgets and other macroeconomic, stability and political risk factors to assess sovereign credit risk in a structured and holistic manner. The model has an internal rating grade structure consisting of 15 pass grades.

Bank Portfolio

Exposures in our Bank portfolio are rated by our internal Bank model, which takes into account asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The model has an internal rating grade structure consisting of 15 pass grades.

Retail Exposures

We have adopted the AIRB Approach for our retail exposures, which consist of residential mortgages, qualifying revolving retail exposures and other retail exposures. Exposures within each of these asset classes are not managed individually, but as part of a pool of similar exposures that are segmented based on borrower and transaction characteristics. As loss characteristics of retail exposures are geography and product specific, bespoke PD, LGD and EAD segmentation models are developed using empirical loss data for the respective exposures across the Group. Where internal loss data is insufficient to provide robust risk estimates, the segmentation models may incorporate internal and/or external proxies, and where necessary, may be augmented with appropriate margins of conservatism. These models cover 9.1 per cent of the Total Credit RWA and are regularly validated.

Retail Probability of Default Models

Retail PD models are based on pools of homogeneous exposures segmented by a combination of application scores, behavioural scores and other risk drivers reflecting borrower, facility and delinquency characteristics. PD pools are calibrated through-the-cycle using at least five years of historical data that cover a full economic cycle. For low default portfolios, internal and/or external proxies that are highly correlated with internal defaults are used to estimate the long-run average PD. A regulatory floor of 0.03 per cent is applied to all PD pools.

In general, the long-run observed default rates are largely lower than the PD estimates due to the model's calibration philosophy and the application of conservative overlays to account for model risk.

Retail Loss Given Default Models

Retail LGDs are estimated directly using historical default and recovery data via the 'workout' approach, which considers the economic losses arising from different post-default scenarios such as cured, restructured and liquidated. LGD models are segmented using material pre-default risk drivers such as facility and collateral characteristics.

LGD models are calibrated to reflect a portfolio's economic downturn experience. In addition, for residential mortgages, an LGD floor of 10 per cent is applied at the segment level.

Retail Exposure at Default Models

For revolving products, EAD is computed based on the current outstanding balance and the estimated potential drawdown of undrawn commitments, which is statistically determined based on historical data. For closed-end products, the EAD is the current outstanding balance. EAD models are generally segmented by material pre-default risk drivers such as facility type, limit and utilisation. EAD models are calibrated to reflect the portfolio long-run averages, except for portfolios that exhibit positive correlation between LGD and PD values, in which case, these portfolios' EAD models are calibrated to reflect their economic downturn conditions. EADs must be at least equal to the current outstanding balances.

Securitisation Exposures

From time to time, the Group arranges and invests in securitisation transactions. Any decision to invest in such a transaction is subject to independent risk assessment and approval. Processes are in place to monitor the credit risk of the securitisation exposures and are subject to regular review. The special purpose entities involved in these transactions are managed by third parties and are not controlled by the Group. In these transactions, the Group may also act as a liquidity facility provider, working capital facility provider or swap counterparty. The Group's securitisation positions are recognised as financial assets or undrawn credit facilities pursuant to the Group's accounting policies and measured accordingly.

Risk weights for securitisation exposures in the banking book are computed using a hierarchy of approaches prescribed under MAS Notice 637. Majority of the exposures are subjected to External Ratings-Based Approach or SA, where ECAI ratings from Fitch Ratings, Moody's Investors Service and Standard & Poor's are used, where available.

Credit Exposures Subject to Standardised Approach

We have obtained the MAS' approval to adopt the IRBA for the majority of our portfolios, with 26 per cent of our exposures treated under AIRB and 66 per cent under FIRB. The Group applies the SA for the remaining portfolios which are immaterial in terms of size and risk profile and for transitioning portfolios. We will progressively migrate our transitioning portfolios, such as UOB Indonesia's exposures, to the IRBA over the next few years, subject to the approval of the MAS.

For exposures subject to the SA, we use approved ECAI ratings and prescribed risk weights based on asset class in the computation of regulatory capital.

The ECAIs used are Fitch Ratings, Moody's Investors Service and Standard & Poor's. They are mainly in the Bank asset class. ECAI ratings are mapped to a common credit quality grade prescribed by the MAS.

Market Risk

Market risk refers to the risk of loss to the Group from movements in the market rates or prices (such as changes in interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads) of the underlying asset.

Market risk is governed by the ALCO, which meets monthly to review and to provide directions on market risk matters. The Market Risk Management and Balance Sheet Risk Management (BSRM) Divisions support the BRMC, RCC and ALCO with independent assessment of the market risk profile of the Group.

The Group's market risk framework comprises market risk policies, practices and the control structure with appropriate delegation of authority and market risk limits. We employ valuation methodologies that are in line with sound market practices and validate valuation and risk models independently. In addition, the Group Product/Service Programme process ensures that different risks, including market risk issues, are identified and adequately addressed prior to launch.

One of the Group's main objectives in undertaking trading activities is to provide customer-centric products and services to support our customers' business and hedging needs. We continually review and enhance our management of derivative risks to ensure that the complexities of the Group's business are appropriately controlled.

Our overall market risk appetite is balanced with targeted revenue at the Group, Bank and business unit levels and takes into account the capital position of the Group and the Bank. This ensures that the Group and the Bank remain well-capitalised, even under stress conditions. The risk appetite is translated into risk limits that are delegated to business units. These risk limits have proportional returns that are commensurate with the risks taken.

Market risk appetite is provided for all trading exposures within the Group and the Group's non-trading FX exposures. The majority of the non-trading FX exposures arises from our investments in overseas subsidiaries in Asia.

Standardised Approach

The Group currently adopts the SA for the calculation of regulatory market risk capital but uses the Internal Models Approach to measure and to control trading market risks. The financial products which are warehoused, measured and controlled with internal models include FX and FX options, plain vanilla interest rate contracts and interest rate options, government and corporate bonds, equities and equity options, commodities contracts and commodity options.

Internal Model Approach

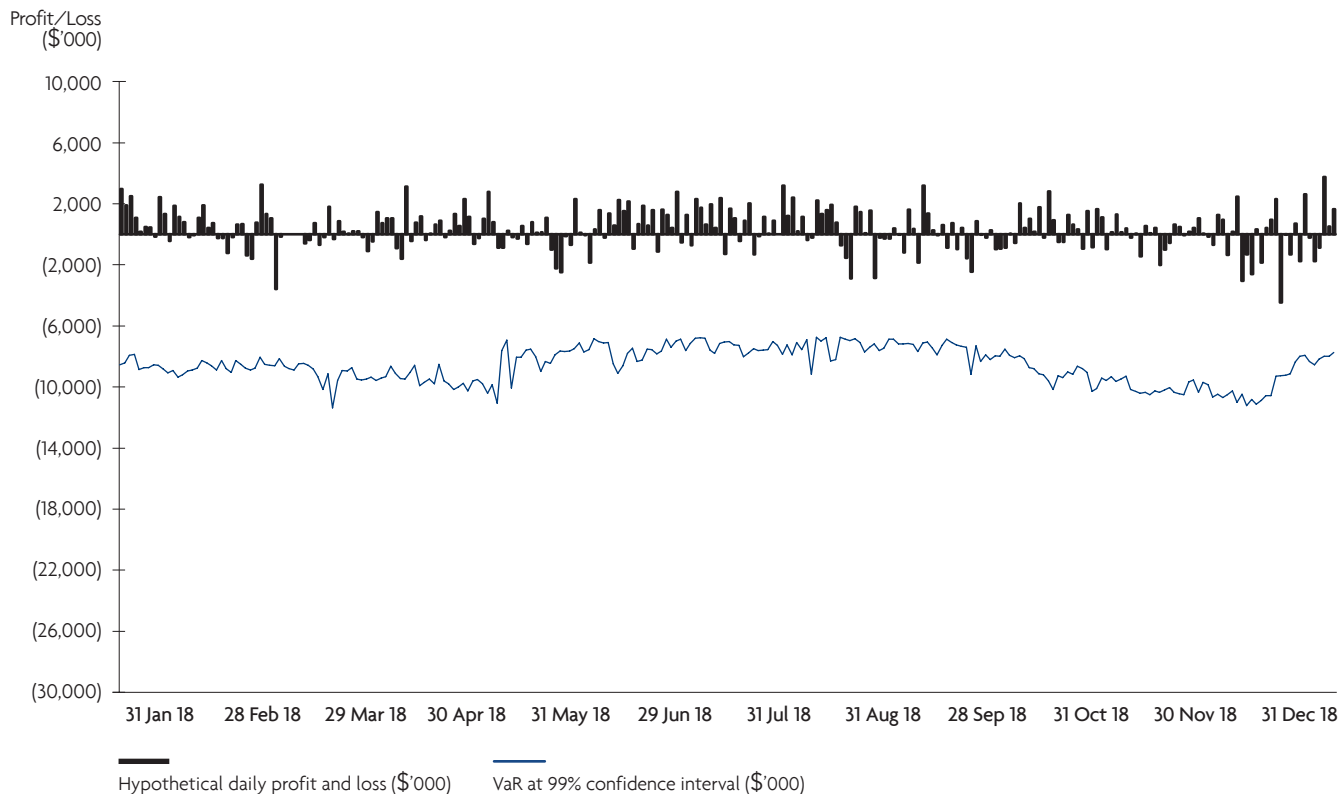
The Group estimates a daily Value-at-Risk (VaR) within a 99 per cent confidence interval, using the historical simulation method, as a control for market risk. The method assumes that possible future changes in market rates may be implied by observed historical market movements.



Risk Management

Group Trading Backtesting Chart

(Hypothetical daily profit and loss versus VaR at 99% confidence interval)

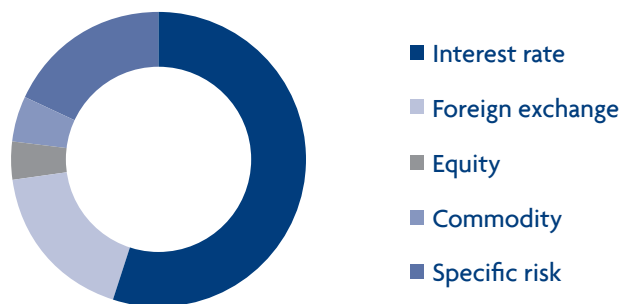


As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit and loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtesting exceptions are tabled at the ALCO with recommended actions and resolutions. No backtesting exception was noted for Group Trading in year 2018.

To complement the VaR measure, we perform stress and scenario tests to identify the Group's vulnerability to event risk. These tests serve to provide early warnings of plausible extreme losses for which proactive management of market risk is taken.

The Group's daily VaR on 31 December 2018 was \$7.72 million.

Group Trading VaR for Market Risk by Risk Class



Interest Rate Risk in the Banking Book

Interest rate risk in the banking book (IRRBB) is defined as the risk of potential loss of capital or reduction in earnings due to changes in the interest rates environment.

In the course of our core banking activities, the Group strives to meet customers' demands and preferences for products with various interest rate structures and maturities. Mismatches in repricing and other characteristics of assets and liabilities give rise to sensitivity to interest rate movements. As interest rates and yield curves change over time, these mismatches may result in a change in the Group's economic net worth and/or a decline in earnings. Our primary objective of managing IRRBB is to protect and to enhance capital or economic net worth through adequate, stable and reliable growth in net interest earnings under a broad range of possible economic conditions.

The ALCO maintains oversight of the effectiveness of the interest rate risk management structure including approval of policies, controls and limits. The BSRM Division supports the ALCO in monitoring the interest rate risk profile of the banking book. Behavioural models used are independently validated and governed by approved policy. Management and mitigation of IRRBB through hedging instruments and activities are governed by the Group's IRRBB policies which are subject to regular review. Monitoring of positions against mandates, limits and triggers approved by relevant committees and delegated to relevant business units provide alerts for timely discussions to control potential risks.

The Group's banking book interest rate risk exposure is quantified on a monthly basis using dynamic simulation techniques. The Bank employs an holistic approach towards balance sheet risk management, using an in-house enterprise risk management system to integrate liquidity risk and IRRBB into a single platform for the Group's reporting across entities in a timely manner.

Interest rate risk varies with different repricing periods, currencies, embedded options and interest rate basis. Embedded options may be in the form of loan prepayment and time deposit early withdrawal. In Economic Value of Equity (EVE) sensitivity simulations, we compute the present value for repricing cash flows, with the focus on changes in EVE under different interest rate scenarios. This economic perspective measures interest rate risks across the full maturity profile of the balance sheet, including off-balance sheet items. We estimate the potential effects of interest rate changes on Net Interest Income (NII) by simulating the possible future course of interest rates and expected changes in business activities over time. Mismatches in the longer tenor will experience greater change in EVE than similar positions in the shorter tenor while mismatches in the shorter tenor will have a greater impact on NII. Interest rate scenarios used in simulations include the six standard scenarios prescribed

by Basel as well as internal scenarios covering changes in the shape of the yield curve, including positive and negative tilt scenarios.

We also perform stress tests regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating the proactive management of interest rate risks in an environment of rapid financial market changes.

The risks arising from the trading book, such as interest rates, FX rates and equity prices are managed and controlled under the market risk framework.

Liquidity Risk

Liquidity risk is the risk that arises from the Group's inability to meet its obligations or fund increases in assets as they fall due. The Group maintains sufficient liquidity to fund our day-to-day operations, to meet deposit withdrawals and loan disbursements, to participate in new investments and to repay borrowings. Hence, liquidity is managed in a manner that addresses known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approved by the ALCO. These policies, controls and limits enable the Group to monitor and to manage liquidity risk to ensure that sufficient sources of funds are available over a range of market conditions. These include minimising excessive funding concentrations by diversifying the sources and terms of funding, and maintaining a portfolio of high quality and marketable debt securities.

We take a conservative stance on the Group's liquidity management by continuing to gather core deposits, ensuring that liquidity limits are strictly adhered to and that there are adequate liquid assets to meet potential cash shortfall.

The distribution of deposits is actively managed to ensure a balance between cost-effectiveness, continued accessibility to funds and diversification of funding sources. Important factors in ensuring liquidity are competitive pricing, proactive management of the Group's core deposits and the maintenance of customer confidence.

Our liquidity risk is aligned with the regulatory liquidity risk management framework and is measured and managed on a projected cash flow basis. The Group is monitored under business-as-usual and stress scenarios. Cash flow mismatch limits are established to limit the Group's liquidity exposure. We also employ liquidity early warning indicators and trigger points to signal possible contingency situations. Our liquidity ratios, Liquidity Coverage Ratio (LCR)* and Net Stable Funding Ratio (NSFR)*, are above the regulatory requirement.

* Quarterly updates for LCR and semi-annual updates for NSFR are available on UOB's website at www.UOBgroup.com/investor-relations/financial/index.html

Risk Management

We have contingency funding plans in place to identify potential liquidity crises using a series of warning indicators. Crisis management processes and various strategies including funding and communication have been developed to minimise the impact of any liquidity crunch.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes banking operations risk, fraud risk, legal risk, outsourcing risk, regulatory risk, reputational risk and technology risk.

Our primary objective is to foster a sound reputation and operating environment.

Operational Risk Governance, Framework and Programmes

Operational risk is managed through a framework of policies and procedures by which business and support units properly identify, assess, monitor, mitigate and report their risks. The ORMC meets monthly to review operational risk matters across the Group.

The Operational Risk Governance structure adopts the Three Lines of Defence Model. The business and support functions, as the First Line of Defence, are responsible for establishing a robust control environment as part of their day-to-day operations. Each business and support unit is responsible for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities.

The Operational Risk Management Division, as the Second Line of Defence, provides overarching governance of operational risk through relevant frameworks, policies, programmes and systems. It also monitors key risk self-assessment results, outsourcing matters, operational risk indicator breaches, self-identified operational risks and incidents and reports these to Management, the relevant senior management committees and the Board.

Group Audit acts as the Third Line of Defence by providing, through periodic audit reviews, an independent and objective assessment on the overall effectiveness of the risk governance framework and internal controls.

A key component of the operational risk management framework is risk identification and control self-assessments. This is achieved through the Group-wide implementation of a set of operational risk programmes. Several risk mitigation policies and programmes are in place to maintain a sound operating environment.

We have business continuity and crisis management programmes in place to ensure prompt recovery of critical business and support units should there be unforeseen events. The senior management provides an annual attestation to the Board on the state of business continuity readiness of the Group.

The Group's insurance programme covers civil and crime liability, cyber liability, property damage, terrorism, public liability, as well as directors' and officers' liability. The programme reduces operational losses through adequate insurance coverage.

Technology Risk

Technology Risk is defined as any potential adverse outcome, damage, loss, violation, failure or disruption arising from the use of or reliance on information and communication technologies. The governance of technology risk rests with the ORMC to enable an holistic oversight of operational risk matters across the Group. The Group's technology risk management framework ensures that technology and cyber risks are managed in a systematic and consistent manner. The Technology Risk Management Division has governance and oversight of technology risk management across the Group. The team works closely with business and support units to oversee, to review and to strengthen their current practices in technology risk management.

Regulatory Risk

Regulatory risk refers to the risk of non-compliance with laws, regulations, rules, standards and codes of conduct. We identify, monitor and manage this risk through a structured governance framework of compliance policies, procedures and guidelines maintained by the Group. The framework also manages the risk of regulatory breaches relating to Sanctions, Anti-Money Laundering and Countering the Financing of Terrorism.

Legal Risk

Legal risk arises from unenforceable, unfavourable, defective or unintended contracts, lawsuits or claims, developments in laws and regulations, or non-compliance with applicable laws and regulations. Business and support units work with both internal and external legal counsel to ensure that legal risks are managed.

Reputational Risk

Reputational risk is the risk of adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion of the Group's business practices, activities and financial condition. The Group recognises the impact of reputational risk and has developed a policy to identify and to manage the risk across the Group.

Outsourcing Risk

Outsourcing risk is the risk of adverse financial, operational, reputational, legal and compliance impact arising from the failure of a service provider to provide the outsourced service or to comply with legal and regulatory requirements, or a service provider's breaches of security. The Group has in place the Group Outsourcing Risk Management Framework, policy, procedures and guidelines and implemented the outsourcing module in the Governance, Risk and Compliance system to manage outsourcing risks.

Fraud Risk

Fraud is defined as an act, with an element to deceive or to conceal facts, and is not restricted to the gain of monetary or material benefits.

The Group actively manages fraud risks. The Integrated Fraud Management (IFM) Division, as the Second Line of Defence, drives strategy and governance and oversees the framework of fraud risk management across the Group. The corporate governance of fraud risk is provided by the Audit Committee at the Board level, and primarily by the ORMC at the Management level.

All employees are required to uphold the UOB Code of Conduct, which includes anti-bribery and anti-corruption provisions. The Group's fraud hotline to IFM ensures independent fraud investigation. The division also works closely with business and support units to strengthen their current practices across the five pillars of prevention, detection, response, remediation and reporting.

Environmental Social and Governance Risk

ESG risk is the risk of credit loss or non-financial risks, such as reputational damage, arising from ESG issues including climate change. While a key component of ESG risk arises indirectly from the financial services we provide to our customers, it can also result directly from our own operations.

The ESG Committee identifies and reviews ESG factors material to the Bank, and ensures that sustainability factors are considered in all aspects of our operations.

The Bank's material ESG factors provide a framework for our ESG risk considerations and in our everyday decision-making processes. The specific risk associated with each factor is monitored and managed in accordance with the respective framework, policy or guidelines.

Specific to our wholesale financing activities, we ensure that ESG considerations are integrated into our credit evaluation and approval processes. To this end, our Responsible Financing Policy, which is approved by the Credit Committee, is part of the UOB's Group Corporate Credit Policy.

Under our Responsible Financing Policy, account officers are required to conduct due diligence on all new and existing borrowers during the client onboarding process and annual credit review. Borrowers that fall into the ESG-sensitive industries defined by The Association of Banks in Singapore's Responsible Financing Guidelines are subject to enhanced due diligence with sector-specific guidelines. All borrowers are classified based on the level of ESG risk in their business and are monitored on an ongoing basis for any adverse ESG-related news. Those with any known material ESG-related incidents will trigger an immediate review with ESG risks to be addressed and managed adequately.

More information on our ESG-related efforts can be found in the Sustainability Approach and Customers sections.

Strategic and Business Risk

Strategic risk refers to the current or prospective negative impact on earnings, capital or reputation arising from adverse strategic decisions, improper implementation of decisions or a lack of responsiveness to industry, economic or technological changes. It is the risk of not achieving the Group's strategic goals.

Business risk refers to the adverse impact on earnings or capital arising from changes in business parameters such as volumes, margins and costs. The sources of business risk include uncompetitive products or pricing, internal inefficiencies, and changes in general business conditions such as market contraction or changes in customers' expectations and demand. It is the risk of not achieving the Group's short-term business objectives.

The Board of Directors and senior management committees are responsible for managing risks associated with the Group's business activities and play a critical role in the successful operation of the Group. The BRMC and Executive Committee assist the Board in relation to the management of strategic and business risks. The senior management committees oversee the day-to-day management of the Group and make business decisions within the Group's risk appetite. The MEC, the Management Committee and the RCC have oversight functions relating to strategic and business risk management. Group Strategy and International Management works closely with Group Finance on the Group's strategic planning process and on the translation of the Group's strategy into annual financial targets, taking the macroeconomic environment into account. The business segment heads are responsible for developing and implementing segment-specific business strategies and for ensuring alignment with the overall Group strategy.

Capital Management

UOB's capital management objectives are to ensure that the Group maintains an optimal capital level that supports its businesses, strategic growth and investment opportunities, and to meet regulatory requirements. We aim to sustain the strong credit ratings for which UOB is noted by our stakeholders, including our depositors and investors. We also seek to be efficient in our capital mix, to keep our overall cost of capital low and to deliver sustainable returns in the form of dividends to our shareholders.

Our Approach

We actively monitor and manage the Group's capital position over the medium term through the Group's Internal Capital Adequacy Assessment Process (ICAAP). This includes:

- setting capital targets for the Bank and its banking subsidiaries, for which anticipated regulatory changes and stakeholder expectations are taken into account;
- forecasting capital demand for material risks based on the Group's risk appetite. This is evaluated across all business segments and banking entities, with the Group's capital position projected before and after mitigating actions under adverse economic conditions; and
- determining capital issuance requirements and reviewing the maturity profile of existing capital securities.

Two committees oversee our capital planning and assessment process. The Board Risk Management Committee (BRMC) assists the Board to oversee the management of risks arising from the business of the Group, while the Risk and Capital Committee (RCC), comprising senior management, manages the Group's ICAAP, overall risk profile and capital requirements. The BRMC and RCC are updated on the Group's capital position every quarter, while the capital management and contingency capital plans are reviewed annually. Capital management actions are also submitted to senior management and/or the Board for approval.

The Bank is the primary capital provider to the Group's entities. Investments in the Group's entities are funded mainly by the Bank's retained earnings and capital issuances. The Group's banking subsidiaries manage their own capital positions to support planned business growth and to meet local regulatory requirements. Capital generated by subsidiaries in excess of planned requirements is returned to the Bank by way of dividends. There was no impediment to the subsidiaries paying their dividends during the year.

Regulatory Updates

As one of the Domestic Systemically Important Banks (D-SIBs) in Singapore, UOB is subject to stricter policy measures such as higher capital requirements imposed by the Monetary Authority of Singapore (MAS).

Singapore-incorporated D-SIBs are required to maintain at Bank Solo and Group levels, minimum Common Equity Tier 1 (CET1), Tier 1 and Total Capital Adequacy Ratio (CAR) of 6.5 per cent, 8 per cent and 10 per cent respectively. The Basel III transition period for regulatory adjustments ended on 1 January 2018, hence the CET1 CAR for 2018 is a fully-phased in ratio. In addition, a capital conservation buffer (CCB) of 2.5 per cent maintained in the form of CET1 capital was phased in at 0.625 percentage point each year from 1 January 2016, reaching 2.5 per cent by 1 January 2019. Including the full CCB requirement, the capital requirements will increase to 9 per cent, 10.5 per cent and 12.5 per cent respectively.

In line with Basel III, a countercyclical buffer (CCyB) of up to 2.5 per cent to be maintained in the form of CET1 capital was also phased in from 1 January 2016, capped at 0.625 percentage point per year, up to 1 January 2019. The CCyB is applied on a discretionary basis by banking supervisors in the respective jurisdictions.

In November 2018, the following amendments were made to MAS Notice 637 to implement the revised Basel standard for interest rate risk in the banking book (IRRBB) and the new Basel standard for total loss-absorbing capacity (TLAC) holdings:

- Amendments which relate to IRRBB set out Pillar 2 requirements for the identification, measurement, monitoring and control of IRRBB. These took effect from 31 December 2018; and
- The TLAC holdings standard set out the regulatory capital treatment of banks' investments in TLAC and *pari passu* instruments, and seek to limit the contagion within the financial system should a global systemically important bank enter into resolution. Amendments to MAS Notice 637 which relate to TLAC were effective from 1 January 2019.

We will continue to monitor the development on the finalised changes to the Basel III framework, to be implemented from January 2022, and the resulting impact.

Capital Position as at 31 December 2018

There are three categories of regulatory capital:

- CET1 capital comprises paid-up ordinary share capital and disclosed reserves;
- Additional Tier 1 capital comprises eligible non-cumulative non-convertible perpetual securities; and
- Tier 2 capital comprises subordinated notes and accounting provisions in excess of MAS Notice 637 expected loss.

As at 31 December 2018, the Group's CET1 CAR, Tier 1 CAR and Total CAR of 13.9 per cent, 14.9 per cent and 17.0 per cent were well above the regulatory minimum, while the Group's leverage ratio of 7.6 per cent exceeded the minimum 3 per cent regulatory requirement effective 1 January 2018.

The table below shows the consolidated capital position of the Group as at 31 December 2018 and 31 December 2017.

	2018 \$ million	2017 \$ million
Common Equity Tier 1 Capital		
Share capital	4,888	4,792
Disclosed reserves/others	30,445	28,922
Regulatory adjustments	(4,583)	(3,580)
Common Equity Tier 1 Capital	30,750	30,134
Additional Tier 1 Capital		
Perpetual capital securities/others	2,129	2,976
Regulatory adjustments	–	(890)
Tier 1 Capital	32,879	32,220
Tier 2 Capital		
Subordinated notes	4,186	4,150
Provisions/others	477	983
Regulatory adjustments	–	(5)
Eligible Total Capital	37,542	37,348
Risk-Weighted Assets (RWA)		
Credit risk	195,342	176,238
Market risk	10,344	9,424
Operational risk	14,882	13,819
Total RWA	220,568	199,481
Capital Adequacy Ratios (%)		
CET1	13.9	15.1
Tier 1	14.9	16.2
Total	17.0	18.7
Fully-loaded CET1 (fully phased-in per Basel III rules)	13.9	14.7
Leverage Exposure	434,732	400,803
Leverage Ratio (%)	7.6	8.0

Capital Management

Our banking subsidiaries outside Singapore are also required to comply with the regulatory requirements in their respective countries of operation. As at 31 December 2018, the capital

adequacy ratios of the Group's significant banking subsidiaries were above their respective local requirements.

	Total Risk- Weighted Assets \$ million	2018 Capital Adequacy Ratios		
		CET1 %	Tier 1 %	Total %
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

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

Pillar 3 Disclosure

In compliance with the requirements under Basel Pillar 111 and the Monetary Authority of Singapore (MAS) Notice 637 Public Disclosure, various additional quantitative and qualitative disclosures have been included in the Annual Report under the sections on Capital Management, Risk Management, Remuneration, Pillar 3 Disclosure, Management Discussion and Analysis and Notes to the Financial Statements. The disclosures are to facilitate the understanding of the UOB Group's risk profile and assessment of its capital adequacy.

Scope of Application

In accordance with the accounting standards for financial reporting, all subsidiaries in the Group are fully consolidated from the date the Group obtains control until the date such control ceases. The Group's investments in associates are accounted for using the equity method from the date the Group obtains significant influence over the associates until the date such significant influence ceases.

However, for the purpose of computing capital adequacy requirements at the Group level, investments in a subsidiary that carries out insurance business as an insurer are excluded from the consolidated financial statements of the Group. In compliance with the MAS Notice 637 on capital adequacy, such investments are deducted from regulatory capital.

The transfer of funds or regulatory capital within the Group is generally subject to regulatory approval.

An overview of the locations of our risk disclosures is provided below. Please refer to UOB's website at www.UOBgroup.com/investor-relations/financial/index.html for the Pillar 3 Disclosure Report as at 31 December 2018.

Report Description	Location
Overview of Key Prudential Metrics, Risk Management and Risk-Weighted Assets (RWA)	
Key metrics	Pillar 3 Disclosure Report Section 3
Risk management approach	UOB Annual Report 2018, Risk Management section – Maintaining a Sound Risk Culture
Overview of RWA	Pillar 3 Disclosure Report Section 7
Linkages Between Financial Statements and Regulatory Exposures	
Differences between accounting and regulatory scopes of consolidation and mapping of financial statements categories with regulatory risk categories	Pillar 3 Disclosure Report Section 8
Main sources of differences between regulatory exposure amounts and carrying amounts in financial statements	Pillar 3 Disclosure Report Section 9
Qualitative disclosure of differences between carrying amounts in financial statements and regulatory exposure amounts	Pillar 3 Disclosure Report Section 9
Prudent valuation adjustments	Pillar 3 Disclosure Report Section 10
Credit Risk	
General disclosures related to credit risk	UOB Annual Report 2018, Risk Management section – Credit Risk
Credit quality of assets	Pillar 3 Disclosure Report Section 11
Changes in stock of defaulted loans and debt securities	Pillar 3 Disclosure Report Section 12

Pillar 3 Disclosure

Report Description	Location
Additional disclosures related to the credit quality of assets	UOB Annual Report 2018, Risk Management section – Credit Risk Pillar 3 Disclosure Report Section 13
Qualitative disclosure related to Credit Risk Mitigation (CRM) techniques	UOB Annual Report 2018, Risk Management section – Credit Risk
Overview of CRM techniques	Pillar 3 Disclosure Report Section 14
Qualitative disclosure on the use of external credit ratings under the Standardised Approach (SA) (Credit Risk) (CR)	UOB Annual Report 2018, Risk Management section – Credit Risk
SA(CR) and SA(Equity Exposures) (EQ) – Credit risk exposure and CRM effects	Pillar 3 Disclosure Report Section 15
SA(CR) and SA(EQ) – Exposures by asset classes and risk weights	Pillar 3 Disclosure Report Section 16
Qualitative disclosure for Internal Ratings-Based Approach (IRBA) models	UOB Annual Report 2018, Risk Management section – Credit Risk
IRBA – Credit risk exposures by portfolio and Probability of Default (PD) range	Pillar 3 Disclosure Report Section 17
IRBA – Effect on RWA of credit derivatives used as CRM	Pillar 3 Disclosure Report Section 18
IRBA – RWA flow statement for credit risk exposures	Pillar 3 Disclosure Report Section 19
IRBA – Backtesting of PD per portfolio	Pillar 3 Disclosure Report Section 20
IRBA – Specialised Lending	Pillar 3 Disclosure Report Section 21
Counterparty Credit Risk (CCR)	
Qualitative disclosures related to CCR	UOB Annual Report 2018, Risk Management section – Credit Risk
Analysis of CCR exposure by approach	Pillar 3 Disclosure Report Section 22
Credit Valuation Adjustment risk capital requirements	Pillar 3 Disclosure Report Section 23
SA – CCR exposures by portfolio and risk weights	Pillar 3 Disclosure Report Section 24
IRBA – CCR exposures by portfolio and PD range	Pillar 3 Disclosure Report Section 25
Composition of collateral for CCR exposure	Pillar 3 Disclosure Report Section 26
Credit derivative exposures	Pillar 3 Disclosure Report Section 27
RWA flow statements under CCR internal models method	Pillar 3 Disclosure Report Section 33
Securitisation	
Qualitative disclosures related to securitisation exposures	UOB Annual Report 2018, Risk Management section – Credit Risk
Securitisation exposures in the Banking Book	Pillar 3 Disclosure Report Section 28
Securitisation exposures in the Trading Book	Pillar 3 Disclosure Report Section 33
Securitisation exposures in the Banking Book and associated regulatory capital requirements – UOB acting as originator or as sponsor	Pillar 3 Disclosure Report Section 33
Securitisation exposures in the Banking Book and associated regulatory capital requirements – UOB acting as investor	Pillar 3 Disclosure Report Section 29

Report Description	Location
Market Risk	
Qualitative disclosures related to market risk	UOB Annual Report 2018, Risk Management section – Market Risk
Qualitative disclosure related to Internal Model Approach (IMA)	Pillar 3 Disclosure Report Section 33
Market risk under SA	Pillar 3 Disclosure Report Section 30
RWA flow statements of market risk exposures under IMA	Pillar 3 Disclosure Report Section 33
IMA values for trading portfolios	Pillar 3 Disclosure Report Section 33
Comparison of VaR estimates with gains or losses	Pillar 3 Disclosure Report Section 31
Operational Risk	
Operational risk	UOB Annual Report 2018, Risk Management section – Operational Risk
Balance Sheet Risk	
Interest rate risk in the Banking Book	UOB Annual Report 2018, Risk Management section – Interest Rate Risk in the Banking Book Pillar 3 Disclosure Report Section 32
Remuneration	
Remuneration Policy	UOB Annual Report 2018, Remuneration section
Remuneration awarded during the financial year	UOB Annual Report 2018, Remuneration section
Special payments	UOB Annual Report 2018, Remuneration section
Deferred remuneration	UOB Annual Report 2018, Remuneration section
Composition of Capital	
Composition of regulatory capital	Pillar 3 Disclosure Report Section 4
Reconciliation of regulatory capital to balance sheet	Pillar 3 Disclosure Report Section 4
Main features of regulatory capital instruments	Pillar 3 Disclosure Report Section 4
Leverage Ratio	
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Leverage ratio common disclosure template	Pillar 3 Disclosure Report Section 5
Macroprudential Supervisory Measures	
Geographical distribution of credit exposures used in countercyclical capital buffer	Pillar 3 Disclosure Report Section 6
Public disclosure and submission requirements for assessing Global Systemically Important Banks (G-SIBs)	
Indicators used for assessing systemic importance of G-SIBs	UOB's website, Investor Relations section*

* Will only be published in April 2019.



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(Incorporated in Singapore)
and its subsidiaries

31 December 2018

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Certain comparative figures have been restated to conform with the current year's presentation.

Certain figures in this section may not add up to the relevant totals due to rounding.

Amounts less than \$500,000 in absolute term are shown as "0".

United Overseas Bank Limited
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Notes:

Certain comparative figures have been restated to conform with the current year's presentation.
Certain figures in this section may not add up to the relevant totals due to rounding.
Amounts less than \$500,000 in absolute term are shown as "0".

Management Discussion and Analysis

Overview

	2018	2017	+/(-) %
Selected income statement items (\$ million)			
Net interest income	6,220	5,528	13
Net fee and commission income	1,967	1,873	5
Other non-interest income	930	1,162	(20)
Total income	9,116	8,563	6
Less: Total expenses	4,003	3,739	7
Operating profit	5,113	4,824	6
Less: Allowances for credit and other losses	393	727	(46)
Add: Share of profit of associates and joint ventures	106	110	(4)
Net profit before tax	4,826	4,207	15
Less: Tax and non-controlling interests	818	816	0
Net profit after tax ¹	4,008	3,390	18
Selected balance sheet items (\$ million)			
Net customer loans	258,627	232,212	11
Customer deposits	293,186	272,765	7
Total assets	388,099	358,592	8
Shareholders' equity ¹	37,628	36,850	2
Key financial ratios (%)			
Net interest margin	1.82	1.77	
Non-interest income/Total income	31.8	35.4	
Cost/Income ratio	43.9	43.7	
Overseas profit before tax contribution	39.6	40.8	
Credit costs on loans (bp)			
Non-impaired	1	(32)	
Impaired	15	61	
Total	16	28	
Non-performing loans ratio ²	1.5	1.8	
Return on average ordinary shareholders' equity ³	11.3	10.2	
Return on average total assets	1.07	0.98	
Return on average risk-weighted assets	1.93	1.63	
Loan/Deposit ratio ⁴	88.2	85.1	
Liquidity coverage ratios (LCR) ⁵			
All-currency	135	147	
Singapore Dollar	209	200	
Net stable funding ratio ⁶	107	NA	
Capital adequacy ratios			
Common Equity Tier 1	13.9	15.1	
Tier 1	14.9	16.2	
Total	17.0	18.7	
Leverage ratio ⁷	7.6	8.0	
Earnings per ordinary share (\$) ³			
Basic	2.34	1.99	
Diluted	2.33	1.98	
Net asset value (NAV) per ordinary share (\$) ⁸	21.31	20.37	
Revalued NAV per ordinary share (\$) ⁸	24.19	23.19	

1 Relates to amount attributable to equity holders of the Bank.

2 Refers to non-performing loans as a percentage of gross customer loans.

3 Calculated based on profit attributable to equity holders of the Bank net of perpetual capital securities distributions.

4 Refers to net customer loans and customer deposits.

5 Figures reported are based on average LCR for the respective year. 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.

6 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.

7 Leverage ratio is calculated based on the MAS Notice 637. A minimum ratio of 3% is required effective 1 January 2018.

8 Perpetual capital securities are excluded from the computation.

Performance Review

The Group achieved record net earnings of \$4.01 billion for the full year of 2018, 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.

The Group's funding position remained strong with a healthy loan-to-deposit ratio at 88.2%. Gross loans increased 11% to \$262 billion, led by broad-based increase across all territories and industries. Customer deposits grew 7% year on year to \$293 billion, in tandem with loan growth.

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 to 1.5% from 1.8% a year ago. 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 last year, 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.



Management Discussion and Analysis

Net Interest Income

Net Interest Margin

	2018			2017		
	Average balance \$ million	Interest \$ million	Average rate %	Average balance \$ million	Interest \$ million	Average rate %
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 Margin¹			1.82			1.77

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

Volume and Rate Analysis

	2018 vs 2017			2017 vs 2016		
	Volume change \$ million	Rate change \$ million	Net change \$ million	Volume change \$ million	Rate change \$ million	Net change \$ million
Interest Income						
Customer loans	574	796	1,369	490	(133)	356
Interbank balances	167	368	535	118	242	360
Securities	58	102	160	(64)	133	69
Total	798	1,266	2,064	544	242	786
Interest Expense						
Customer deposits	254	810	1,065	139	1	140
Interbank balances/others	56	252	308	56	53	108
Total	310	1,062	1,373	195	54	249
Net Interest Income	488	204	692	349	189	537

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.

Non-Interest Income

	2018 \$ million	2017 \$ million	+ / (-) %
Net Fee and Commission Income			
Credit card ¹	440	404	9
Fund management	261	239	9
Wealth management	543	547	(1)
Loan-related ²	545	471	16
Service charges	154	148	4
Trade-related ³	296	272	9
Others	63	80	(21)
	2,303	2,161	7
Less: Fee and commission expenses ⁴	(336)	(289)	(16)
	1,967	1,873	5
Other Non-Interest Income			
Net trading income	683	775	(12)
Net (loss)/gain from investment securities	(35)	127	(>100)
Dividend income	27	23	20
Rental income	119	119	(0)
Other income	136	117	16
	930	1,162	(20)
Total	2,896	3,035	(5)

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

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.

Management Discussion and Analysis

Operating Expenses

	2018 \$ million	2017 \$ million	+/(–) %
Staff Costs	2,447	2,224	10
Other Operating Expenses			
Revenue-related ¹	592	600	(1)
Occupancy-related	321	332	(3)
IT-related	414	365	13
Others	228	217	5
	1,556	1,515	3
Total	4,003	3,739	7

¹ Expenses directly attributable to 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.

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%.

Allowance for Credit and Other Losses

	2018 \$ million	2017 \$ million	+/(–) %
Allowance for non-impaired assets	19	(747)	>100
Allowance for impaired loans¹			
Singapore	201	733	(73)
Malaysia	(21)	177	(>100)
Thailand	111	131	(16)
Indonesia	123	258	(52)
Greater China ²	16	39	(59)
Others	(54)	68	(>100)
	376	1,407	(73)
Allowance for impaired securities and others	(2)	68	(>100)
Total	393	727	(46)

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

² Comprise China, Hong Kong and Taiwan.

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.

Customer Loans

	2018 \$ million	2017 \$ million
Gross customer loans	261,707	236,028
Less: Allowance for non-impaired loans	1,571	1,961
Allowance for impaired loans	1,508	1,855
Net customer loans	258,627	232,212
By Industry		
Transport, storage and communication	10,185	9,388
Building and construction	63,139	53,646
Manufacturing	21,112	18,615
Financial institutions, investment and holding companies	23,199	19,090
General commerce	32,928	30,664
Professionals and private individuals	29,288	28,182
Housing loans	68,387	65,569
Others	13,469	10,874
Total (gross)	261,707	236,028
By Currency		
Singapore Dollar	123,347	115,750
US Dollar	50,674	44,507
Malaysian Ringgit	25,328	24,000
Thai Baht	15,600	14,006
Indonesian Rupiah	5,288	4,853
Others	41,471	32,912
Total (gross)	261,707	236,028
By Maturity		
Within 1 year	104,686	92,969
Over 1 year but within 3 years	48,826	42,828
Over 3 years but within 5 years	30,452	24,851
Over 5 years	77,744	75,379
Total (gross)	261,707	236,028
By Geography¹		
Singapore	137,176	127,602
Malaysia	29,315	26,948
Thailand	16,813	14,977
Indonesia	11,289	10,718
Greater China	40,081	32,301
Others	27,033	23,482
Total (gross)	261,707	236,028

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

As at 31 December 2018, gross loans rose 11% year on year 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.

Management Discussion and Analysis

Non-Performing Assets

	2018 \$ million	2017 \$ million
Non-Performing Assets (NPA)		
Loans (NPL)	3,994	4,211
Debt securities and others	172	178
Total	4,166	4,389
By Grading		
Substandard	2,512	2,411
Doubtful	230	128
Loss	1,424	1,850
Total	4,166	4,389
By Security		
Secured by collateral type:		
Properties	1,897	1,771
Shares and debentures	6	8
Fixed deposits	13	12
Others ¹	453	467
	2,369	2,258
Unsecured	1,797	2,131
Total	4,166	4,389
By Ageing		
Current	885	936
Within 90 days	581	600
Over 90 to 180 days	379	735
Over 180 days	2,321	2,118
Total	4,166	4,389
Total Allowance		
Non-impaired	1,984	1,976
Impaired	1,651	2,014
Total	3,636	3,990

	2018		2017	
	NPL \$ million	NPL ratio %	NPL \$ million	NPL ratio %
NPL by Industry				
Transport, storage and communication	813	8.0	1,209	12.9
Building and construction	497	0.8	428	0.8
Manufacturing	709	3.4	638	3.4
Financial institutions, investment and holding companies	41	0.2	92	0.5
General commerce	511	1.6	485	1.6
Professionals and private individuals	320	1.1	295	1.0
Housing loans	739	1.1	677	1.0
Others	364	2.7	387	3.6
Total	3,994	1.5	4,211	1.8

¹ Comprise mainly of marine vessels.

Non-Performing Assets (continued)

	NPL/NPA \$ million	NPL ratio %	Allowances for impaired assets \$ million	Allowances for impaired assets as a % of NPL/NPA %
NPL by Geography¹				
Singapore 2018	2,085	1.5	818	39
2017	2,058	1.6	934	45
Malaysia 2018	558	1.9	161	29
2017	585	2.2	220	38
Thailand 2018	456	2.7	153	34
2017	439	2.9	157	36
Indonesia 2018	545	4.8	221	41
2017	694	6.5	312	45
Greater China 2018	120	0.3	53	44
2017	132	0.4	76	58
Others 2018	230	0.9	102	44
2017	303	1.3	156	52
Group NPL 2018	3,994	1.5	1,508	38
2017	4,211	1.8	1,855	44
Group NPA 2018	4,166		1,651	40
2017	4,389		2,014	46
	Total allowances			
		as a % of NPA	as a % of unsecured NPA	
		%	%	
Group 2018		87		202
2017		91		187

¹ Non-performing loans by geography are classified according to where credit risks reside, which is largely represented by the borrower's country of incorporation/operation for non-individuals and residence for individuals.

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

NPL ratio improved to 1.5% as at 31 December 2018, 0.3% point lower than last year. The coverage for non-performing assets remained adequate at 87%, or 202% after taking collateral into account.

Management Discussion and Analysis

Customer Deposits

	2018 \$ million	2017 \$ million
By Product		
Fixed deposits	150,071	139,257
Savings deposits	71,601	66,404
Current accounts	58,858	57,570
Others	12,656	9,534
Total	293,186	272,765
By Maturity		
Within 1 year	289,448	268,233
Over 1 year but within 3 years	2,085	2,545
Over 3 years but within 5 years	833	1,174
Over 5 years	819	813
Total	293,186	272,765
By Currency		
Singapore Dollar	130,981	123,806
US Dollar	71,704	67,739
Malaysian Ringgit	28,312	26,475
Thai Baht	17,148	15,317
Indonesian Rupiah	5,148	5,119
Others	39,894	34,308
Total	293,186	272,765
Group Loan/Deposit ratio (%)	88.2	85.1
Singapore Dollar Loan/Deposit ratio (%)	93.5	92.3
US Dollar Loan/Deposit ratio (%)	69.5	63.9

Customer deposits as at 31 December 2018 increased 7% year on year to \$293 billion, 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

	2018 \$ million	2017 \$ million
Unsecured		
Subordinated debts	5,062	4,827
Commercial papers	13,974	13,674
Fixed and floating rate notes	5,586	2,630
Others	1,583	1,801
Secured		
Covered bonds	4,401	2,247
Total	30,606	25,178
Due within 1 year	15,680	14,807
Due after 1 year	14,926	10,371
Total	30,606	25,178

Shareholders' Equity

	2018 \$ million	2017 \$ million
Shareholders' equity	37,623	36,850
Add: Revaluation surplus	4,802	4,679
Shareholders' equity including revaluation surplus	42,425	41,529

Compared with last year, 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.

Performance by Business Segment ^{1,2}

	GR \$ million	GWB \$ million	GM \$ million	Others \$ million	Total \$ million
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)
Allowance 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 year					4,021
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)
Allowance 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 year					3,407

1 Operating income is presented net of fee and commission expense.

2 Comparative segment information for the prior year has been adjusted for changes in organisational structure and management reporting methodology.

Management Discussion and Analysis

Performance by Business Segment (continued)

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)

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.

Group Wholesale Banking (GWB)

Operating profit grew 10% to \$2.98 billion from a year ago. 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.

Global Markets (GM)

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.

Others

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

Performance by Geographical Segment ¹

	Total operating income		Profit before tax	
	2018	2017	2018	2017
	\$ million	\$ million	\$ million	\$ million
Singapore	5,123	4,913	2,917	2,491
Malaysia	1,068	985	600	581
Thailand	964	871	282	218
Indonesia	444	461	77	29
Greater China	864	751	443	419
Others	653	582	507	469
Total	9,116	8,563	4,826	4,207

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

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.

Capital Adequacy and Leverage Ratios

	2018 \$ million	2017 \$ million
Common Equity Tier 1 capital (CET1)	30,750	30,134
Additional Tier 1 capital	2,129	2,086
Tier 1 capital	32,879	32,220
Tier 2 capital	4,663	5,128
Eligible total capital	37,542	37,348
Risk-weighted assets (RWA)	220,568	199,481
Capital adequacy ratios (CAR)		
CET1	13.9%	15.1%
Tier 1	14.9%	16.2%
Total	17.0%	18.7%
Leverage ratio	7.6%	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.

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

Directors' Statement

for the financial year ended 31 December 2018

The directors are pleased to present their statement to the members together with the audited financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2018.

In the opinion of the directors,

- (a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2018, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

Directors

The directors of the Bank in office are:

Wong Kan Seng (*Chairman*)
Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)
Franklin Leo Lavin
Willie Cheng Jue Hiang
James Koh Cher Siang
Ong Yew Huat
Lim Hwee Hua
Alexander Charles Hungate
Michael Lien Jown Leam
Alvin Yeo Khirn Hai
Wee Ee Lim (*appointed on 1 July 2018*)

Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Bank to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

Directors' Interests in Shares or Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interests in shares and debentures of the Bank or its related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2018	At 1.1.2018 or date of appointment	At 31.12.2018	At 1.1.2018 or date of appointment
The Bank				
Ordinary shares				
Wee Ee Cheong	3,056,455	3,356,455	173,701,487	169,683,878
Willie Cheng Jue Hiang	–	–	51,373	51,373
James Koh Cher Siang	3,900	3,900	–	–
Alvin Yeo Khirn Hai	–	–	6,119	5,988
Alexander Charles Hungate	3,000	–	–	–
Wee Ee Lim (<i>appointed on 1 July 2018</i>)	1,831,903	1,831,903	173,280,943	173,280,943

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019.

Directors' Contractual Benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' Remuneration

The proposed annual fee structure for the Board for 2018 is set out below. The proposed directors' fees are subject to shareholders' approval at the forthcoming Annual General Meeting.

Fee Structure	Chairman \$	Member \$
Basic Fee	700,000	90,000
Strategy Committee	85,000	55,000
Board Credit Committee	85,000	55,000
Board Risk Management Committee	85,000	55,000
Audit Committee	85,000	55,000
Nominating Committee	45,000	30,000
Remuneration and Human Capital Committee	45,000	30,000

Details of the proposed total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2018 are as follows:

	Advisory fee \$'000	Directors' fees \$'000	Fees from subsidiaries ⁽⁴⁾ \$'000	Salary \$'000	Bonus \$'000	Benefits-in- kind and others ⁽⁵⁾ \$'000	Total \$'000
Wong Kan Seng	–	955	–	–	–	5	960
Hsieh Fu Hua (<i>retired on 14 February 2018</i>)	–	478	–	–	–	1	478
Wee Cho Yaw (<i>retired on 20 April 2018</i>) ⁽¹⁾	240	158	217	–	–	2	617
Wee Ee Cheong ⁽²⁾	–	–	–	1,200	9,330	33	10,563
Franklin Leo Lavin	–	215	–	–	–	–	215
Willie Cheng Jue Hiang	–	205	–	–	–	–	205
James Koh Cher Siang	–	220	–	–	–	–	220
Ong Yew Huat	–	315	87	–	–	–	402
Lim Hwee Hua	–	220	–	–	–	–	220
Alexander Charles Hungate	–	175	–	–	–	–	175
Michael Lien Jown Leam	–	175	–	–	–	–	175
Alvin Yeo Khirn Hai	–	200	–	–	–	–	200
Wee Ee Lim ⁽³⁾	–	100	–	–	–	–	100

(1) The advisory fee of \$240,000 recommended by the Remuneration and Human Capital Committee for Dr Wee Cho Yaw is subject to shareholders' approval at the Annual General Meeting to be held on 26 April 2019.

(2) 60% of the variable pay to Mr Wee Ee Cheong will be deferred and vested over the next three years. Of the deferred variable pay, 40% will be issued in deferred cash, while the remaining 60% will be in the form of share-linked units.

(3) Appointed on 1 July 2018.

(4) Fees from subsidiaries payable to Mr Wee Ee Cheong were paid to the Bank.

(5) Transport-related benefits, including the provision of drivers for Messrs Wee Ee Cheong and Hsieh Fu Hua and Dr Wee Cho Yaw.

Directors' Statement

for the financial year ended 31 December 2018

Share-Based Compensation Plans

The share-based compensation plans, which are administered by the Remuneration and Human Capital Committee (RHCC), comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Details of these plans are found below and in Note 41 to the financial statements.

UOB Restricted Share Plan and UOB Share Appreciation Rights Plan (the Plans)

The Bank implemented the Plans on 28 September 2007, with a view to aligning the interests of participating employees with that of shareholders and the Group by fostering a culture of ownership and enhancing the competitiveness of the Group's remuneration for selected employees.

The RHCC determines the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting. Since 2014, no SAR has been granted as an instrument for share-based compensation.

SAR are rights which, upon exercise, confer the right to receive such number of UOB shares (or by exception, cash) equivalent to the difference between the prevailing market value and the grant value of the underlying UOB shares comprised in the SAR, divided by the prevailing market value of a UOB share. The grant value is determined with reference to the average of the closing prices of UOB shares over the three days preceding the grant date. Upon vesting of SAR, participants have up to six years from the date of grant to exercise their rights.

RS represent UOB shares that are restricted by time and performance conditions as to when they vest. Upon vesting, participants will receive UOB shares represented by the RS.

For RS grants made in the years 2015 to 2016, 30 per cent of the award granted will vest after two years, subject to the achievement of the two-year average Return on Equity (ROE) targets. The remaining 70 per cent will vest after three years, subject to the achievement of three-year average ROE targets. The vesting levels are shown below:

Percentage of ROE target achieved	Percentage* of award to be vested for grants made in 2015 to 2016
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the RHCC

* For intermediate ROE level achieved, the percentage of award to be vested will be interpolated.

In 2017, the Bank reviewed and revised the performance conditions of the RS Plan. For grants made from and after 2017, the vesting of the first and second tranches of RS will be determined by the performance of the Group's two-year and three-year average ROE against the corresponding two-year and three-year average Cost of Equity (COE) hurdle respectively.

For each vesting tranche of the award, 100 per cent of the tranche will vest if the average ROE is equal to or above the corresponding average COE. If the average ROE is below the corresponding average COE, the percentage of each tranche of award to be vested will be determined at the sole discretion of the RHCC.

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the RHCC.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the RS Plan shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plan only allows the delivery of UOB ordinary shares held in treasury by the Bank.

Audit Committee

The Audit Committee comprises four members, all of whom are non-executive and independent directors. The members of the Audit Committee are:

Willie Cheng Jue Hiang (*Chairman*)
James Koh Cher Siang
Ong Yew Huat
Alvin Yeo Khirn Hai

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditor's evaluation of the system of internal accounting controls, the scope and results of the internal and external audit procedures, the adequacy of internal audit resources, the cost effectiveness, independence and objectivity of the external auditor, the significant findings of internal audit investigations and interested person transactions. The reviews were made with the internal and external auditors, the Chief Financial Officer and/or other senior management staff, as appropriate.

Auditor

The Audit Committee has nominated Ernst & Young LLP for re-appointment as auditor of the Bank and Ernst & Young LLP has expressed its willingness to be re-appointed.

On behalf of the Board of Directors,

Wong Kan Seng
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
21 February 2019



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 191 to 290, 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.

Areas of focus	How our audit addressed the risk factors
<p>Adoption of Singapore Financial Reporting Standard (International) 9 Financial Instruments (SFRS(I) 9) <i>Refer to Notes 2s(i), 2s(ii), 27d, and 46 to the consolidated financial statements on pages 206, 206, 238 to 239, and 287 to 290 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&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"> • key assumptions, such as the forward-looking information applied in the ECL models; and • management overlays. <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 judgement 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"> • we checked the loans are transferred from Stage 1 to 2 should the criteria for SICR be met; • we tested the reasonableness of the probabilities of default (PD), loss given default (LGD) and exposure at default (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. <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&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"> • 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. <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&M of the financial instruments and the transition adjustments are in line with our evaluation.</p>



Independent Auditor's Report

for the financial year ended 31 December 2018

Areas of focus	How our audit addressed the risk factors
<p>Valuation of illiquid or complex financial instruments <i>Refer to Notes 2s(iii) and 18b to the consolidated financial statements on pages 207 and 224 to 225 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"> • 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. <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>
<p>Impairment of goodwill <i>Refer to Notes 2s(iv) and 36b to the consolidated financial statements on pages 207 and 251 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 judgement 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"> • cash flow projections; • growth rates; and • discount rates. <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.



Independent Auditor's Report

for the financial year ended 31 December 2018

- 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

Income Statements

for the financial year ended 31 December 2018

	Note	The Group		The Bank	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest income ⁽¹⁾	3	11,140,963	9,076,548	7,622,840	5,795,642
Less: Interest expense	4	4,920,998	3,548,481	3,379,746	2,128,596
Net interest income		6,219,965	5,528,067	4,243,094	3,667,046
Net Fee and commission income	5	1,966,692	1,872,825	1,361,748	1,298,497
Dividend income		27,327	22,807	252,309	170,955
Rental income		118,918	119,425	100,174	101,020
Net trading income	6	682,758	775,085	501,888	598,666
Net (loss)/gain from investment securities	7	(35,488)	126,962	(46,932)	106,811
Other income	8	136,152	117,472	159,240	144,623
Non-interest income		2,896,359	3,034,576	2,328,427	2,420,572
Total operating income		9,116,324	8,562,643	6,571,521	6,087,618
Less: Staff costs	9	2,447,043	2,224,048	1,462,204	1,347,446
Other operating expenses	10	1,556,272	1,514,556	1,018,418	985,212
Total operating expenses		4,003,315	3,738,604	2,480,622	2,332,658
Operating profit before allowance		5,113,009	4,824,039	4,090,899	3,754,960
Less: Allowance for credit and other losses	11	392,671	727,438	159,564	329,182
Operating profit after allowance		4,720,338	4,096,601	3,931,335	3,425,778
Share of profit of associates and joint ventures		105,881	110,168	–	–
Profit before tax		4,826,219	4,206,769	3,931,335	3,425,778
Less: Tax	12	805,325	800,113	568,427	580,835
Profit for the financial year		4,020,894	3,406,656	3,362,908	2,844,943
Attributable to:					
Equity holders of the Bank		4,008,001	3,390,291	3,362,908	2,844,943
Non-controlling interests		12,893	16,365	–	–
		4,020,894	3,406,656	3,362,908	2,844,943
Earnings per share (\$)	13				
Basic		2.34	1.99		
Diluted		2.33	1.98		

(1) Includes interest income on financial assets at fair value through profit or loss of \$95 million (2017: \$132 million) at the Group and \$52 million (2017: \$92 million) at the Bank.

The accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income

for the financial year ended 31 December 2018

	The Group		The Bank	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Profit for the financial year	4,020,894	3,406,656	3,362,908	2,844,943
Other comprehensive income that will not be reclassified to income statement				
Net losses on equity instruments at fair value through other comprehensive income	(308,380)	–	(298,823)	–
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	13,223	–	13,222	–
Remeasurement of defined benefit obligation	7,957	(7,214)	(74)	(28)
Related tax on items at fair value through other comprehensive income	9,156	–	6,840	–
	(278,044)	(7,214)	(278,835)	(28)
Other comprehensive income that may be subsequently reclassified to income statement				
Currency translation adjustments	(69,238)	(65,502)	(10,609)	(31,198)
Debt instruments at fair value through other comprehensive income				
Change in fair value	(192,383)	–	(178,177)	–
Transfer to income statement on disposal	39,991	–	41,762	–
Changes in allowance for expected credit losses	4,391	–	9,068	–
Related tax	2,996	–	2,208	–
Available-for-sale financial assets				
Change in fair value	–	588,909	–	506,730
Transfer to income statement on disposal/impairment	–	(61,357)	–	(51,716)
Related tax	–	(18,164)	–	(7,790)
	(214,243)	443,886	(135,748)	416,026
Change in shares of other comprehensive income of associates and joint ventures	(7,590)	(2,924)	–	–
Other comprehensive income for the financial year, net of tax	(499,877)	433,748	(414,583)	415,998
Total comprehensive income for the financial year, net of tax	3,521,017	3,840,404	2,948,325	3,260,941
Attributable to:				
Equity holders of the Bank	3,511,104	3,817,251	2,948,325	3,260,941
Non-controlling interests	9,913	23,153	–	–
	3,521,017	3,840,404	2,948,325	3,260,941

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2018

	Note	The Group			The Bank		
		31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Equity							
Share capital and other capital	14	7,014,072	7,765,643	6,351,013	7,014,072	7,765,643	6,351,013
Retained earnings	15	21,716,025	19,707,178	17,333,616	16,117,580	14,700,659	13,030,819
Other reserves	16	8,892,999	9,377,113	9,188,560	9,597,535	10,045,371	9,625,481
Equity attributable to equity holders of the Bank		37,623,096	36,849,934	32,873,189	32,729,187	32,511,673	29,007,313
Non-controlling interests		189,696	186,661	168,599	–	–	–
Total equity		37,812,792	37,036,595	33,041,788	32,729,187	32,511,673	29,007,313
Liabilities							
Deposits and balances of:							
Banks							
Customers	19	293,185,822	272,765,121	255,313,873	227,258,692	215,212,366	199,665,008
Subsidiaries		–	–	–	13,562,166	6,505,068	7,239,191
Bills and drafts payable		637,675	702,330	521,720	359,074	492,388	323,813
Derivative financial liabilities	38	5,839,999	5,530,748	6,837,108	4,487,314	4,042,662	5,961,059
Other liabilities	20	5,416,881	5,210,274	5,665,659	3,104,691	2,805,526	2,590,168
Tax payable		514,023	550,424	417,406	435,122	471,813	354,586
Deferred tax liabilities	21	278,913	177,984	231,908	206,342	114,103	89,214
Debts issued	22	30,605,611	25,178,401	26,142,949	28,905,041	23,889,753	25,014,644
Total liabilities		350,279,563	321,555,768	306,985,845	290,389,308	264,403,957	251,855,997
Total equity and liabilities		388,092,355	358,592,363	340,027,633	323,118,495	296,915,630	280,863,310
Assets							
Cash, balances and placements with central banks	23	25,252,497	26,624,969	24,322,115	20,782,510	19,960,207	16,572,831
Singapore Government treasury bills and securities		5,614,577	4,267,179	6,876,831	5,609,110	4,267,179	6,876,831
Other government treasury bills and securities	24	13,200,867	11,708,818	10,638,470	5,668,411	6,236,365	5,257,286
Trading securities	25	1,928,520	1,765,963	3,127,350	1,794,810	1,502,318	2,977,205
Placements and balances with banks	26	50,799,513	52,181,025	40,032,875	39,812,157	42,771,530	33,730,816
Loans to customers	27	258,627,271	232,211,746	221,733,669	201,788,882	180,520,561	172,655,915
Placements with and advances to subsidiaries		–	–	–	16,362,702	12,485,109	9,440,101
Derivative financial assets	38	5,730,057	5,780,915	6,981,546	4,343,866	4,283,098	6,184,579
Investment securities	29	13,553,103	11,272,880	11,639,689	11,668,369	10,495,021	10,991,626
Other assets	30	4,516,306	4,190,098	6,174,231	2,870,042	2,547,325	4,361,437
Deferred tax assets	21	283,688	193,257	251,094	87,392	47,299	42,375
Investment in associates and joint ventures	31	1,169,608	1,194,440	1,108,925	363,105	337,985	332,639
Investment in subsidiaries	32	–	–	–	6,014,213	5,743,730	5,785,706
Investment properties	34	1,012,332	1,088,309	1,104,910	1,078,735	1,118,762	1,161,937
Fixed assets	35	2,265,624	1,970,845	1,884,883	1,692,372	1,417,322	1,310,207
Intangible assets	36	4,138,392	4,141,919	4,151,045	3,181,819	3,181,819	3,181,819
Total assets		388,092,355	358,592,363	340,027,633	323,118,495	296,915,630	280,863,310

The accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2018

	The Group						
	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital and other capital	Retained earnings	Other reserves	Total			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2018							
Balance at 1 January	7,765,643	19,707,178	9,377,113	36,849,934	186,661	37,036,595	
Impact of adopting SFRS(l) 9 (Note 46)	–	58,967	613	59,580	(684)	58,896	
Restated opening balance under SFRS(l) 9	7,765,643	19,766,145	9,377,726	36,909,514	185,977	37,095,491	
Profit for the financial year	–	4,008,001	–	4,008,001	12,893	4,020,894	
Other comprehensive income for the financial year	–	7,962	(504,859)	(496,897)	(2,980)	(499,877)	
Total comprehensive income for the financial year	–	4,015,963	(504,859)	3,511,104	9,913	3,521,017	
Transfers	–	(23,956)	23,956	–	–	–	
Change in non-controlling interests	–	779	–	779	2,487	3,266	
Dividends	–	(2,043,033)	–	(2,043,033)	(8,681)	(2,051,714)	
Shares re-purchased – held in treasury	(212,438)	–	–	(212,438)	–	(212,438)	
Shares issued under scrip dividend scheme	267,153	–	–	267,153	–	267,153	
Share-based compensation	–	–	40,017	40,017	–	40,017	
Reclassification of share-based compensation reserves on expiry	–	127	(127)	–	–	–	
Shares issued under share-based compensation plans	41,155	–	(41,155)	–	–	–	
Redemption of perpetual capital securities	(847,441)	–	(2,559)	(850,000)	–	(850,000)	
Balance at 31 December	7,014,072	21,716,025	8,892,999	37,623,096	189,696	37,812,792	
2017							
Balance at 1 January	6,351,013	17,333,616	9,188,560	32,873,189	168,599	33,041,788	
Profit for the financial year	–	3,390,291	–	3,390,291	16,365	3,406,656	
Other comprehensive income for the financial year	–	(7,214)	434,174	426,960	6,788	433,748	
Total comprehensive income for the financial year	–	3,383,077	434,174	3,817,251	23,153	3,840,404	
Transfers	–	237,878	(237,878)	–	–	–	
Change in non-controlling interests	–	–	(104)	(104)	564	460	
Dividends	–	(1,248,622)	–	(1,248,622)	(5,655)	(1,254,277)	
Shares issued under scrip dividend scheme	488,241	–	–	488,241	–	488,241	
Share-based compensation	–	–	40,491	40,491	–	40,491	
Reclassification of share-based compensation reserves on expiry	–	1,229	(1,229)	–	–	–	
Shares issued under share-based compensation plans	46,901	–	(46,901)	–	–	–	
Perpetual capital securities issued	879,488	–	–	879,488	–	879,488	
Balance at 31 December	7,765,643	19,707,178	9,377,113	36,849,934	186,661	37,036,595	
	Note	14	15	16			

The accounting policies and explanatory notes form an integral part of the financial statements.

The Bank

	Share capital and other capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
2018				
Balance at 1 January	7,765,643	14,700,659	10,045,371	32,511,673
Impact of adopting SFRS(I) 9 (Note 46)	–	96,306	(28,816)	67,490
Restated opening balance under SFRS(I) 9	7,765,643	14,796,965	10,016,555	32,579,163
Profit for the financial year	–	3,362,908	–	3,362,908
Other comprehensive income for the financial year	–	278	(414,861)	(414,583)
Total comprehensive income for the financial year	–	3,363,186	(414,861)	2,948,325
Transfers	–	335	(335)	–
Dividends	–	(2,043,033)	–	(2,043,033)
Shares re-purchased – held in treasury	(212,438)	–	–	(212,438)
Shares issued under scrip dividend scheme	267,153	–	–	267,153
Share-based compensation	–	–	40,017	40,017
Reclassification of share-based compensation reserves on expiry	–	127	(127)	–
Shares issued under share-based compensation plans	41,155	–	(41,155)	–
Redemption of perpetual capital securities	(847,441)	–	(2,559)	(850,000)
Balance at 31 December	7,014,072	16,117,580	9,597,535	32,729,187
2017				
Balance at 1 January	6,351,013	13,030,819	9,625,481	29,007,313
Profit for the financial year	–	2,844,943	–	2,844,943
Other comprehensive income for the financial year	–	(28)	416,026	415,998
Total comprehensive income for the financial year	–	2,844,915	416,026	3,260,941
Transfers	–	2,475	(2,475)	–
Dividends	–	(1,248,622)	–	(1,248,622)
Shares issued under scrip dividend scheme	488,241	–	–	488,241
Share-based compensation	–	–	40,491	40,491
Reclassification of share-based compensation reserves on expiry	–	1,229	(1,229)	–
Shares issued under share-based compensation plans	46,901	–	(46,901)	–
Perpetual capital securities issued	879,488	–	–	879,488
Transfer from subsidiary upon merger	–	69,843	13,978	83,821
Balance at 31 December	7,765,643	14,700,659	10,045,371	32,511,673
	Note	14	15	16

Consolidated Cash Flow Statement

for the financial year ended 31 December 2018

	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Profit for the financial year	4,020,894	3,406,656
Adjustments for:		
Allowance for credit and other losses	392,671	727,438
Share of profit of associates and joint ventures	(105,881)	(110,168)
Tax	805,325	800,113
Depreciation of assets	272,853	258,271
Net loss/(gain) on disposal of assets	13,759	(199,638)
Share-based compensation	39,875	40,679
Operating profit before working capital changes	5,439,496	4,923,351
Change in working capital		
Deposits and balances of banks	2,457,200	(351,437)
Deposits and balances of customers	21,168,219	18,538,858
Bills and drafts payable	(68,088)	177,261
Other liabilities	337,445	(211,792)
Restricted balances with central banks	(18,501)	272,431
Government treasury bills and securities	(2,930,225)	1,478,531
Trading securities	(168,363)	1,429,224
Placements and balances with banks	1,280,078	(12,662,442)
Loans to customers	(27,031,970)	(12,907,167)
Investment securities	(2,851,919)	986,496
Other assets	(511,616)	2,897,367
Cash (used in)/generated from operations	(2,898,244)	4,570,681
Income tax paid	(808,887)	(661,739)
Net cash (used in)/provided by operating activities	(3,707,131)	3,908,942
Cash flows from investing activities		
Capital injection into associates and joint ventures	(46,976)	(47,907)
Acquisition of associates and joint ventures	–	(151)
Proceeds from disposal of associates and joint ventures	110,473	–
Distribution from associates and joint ventures	51,348	43,402
Acquisition of properties and other fixed assets	(516,466)	(349,393)
Proceeds from disposal of properties and other fixed assets	35,399	12,640
Change in non-controlling interests	4,218	494
Net cash used in investing activities	(362,004)	(340,915)
Cash flows from financing activities		
Perpetual capital securities issued	–	879,488
Redemption of perpetual capital securities	(850,000)	–
Issuance of debts issued (Note 22)	40,410,836	44,601,355
Redemption of debts issued (Note 22)	(34,904,484)	(45,066,986)
Shares re-purchased – held in treasury	(212,438)	–
Change in non-controlling interests	(1,731)	70
Dividends paid on ordinary shares	(1,646,509)	(664,981)
Distribution for perpetual capital securities	(129,371)	(95,400)
Dividends paid to non-controlling interests	(8,681)	(5,655)
Net cash provided by/(used in) financing activities	2,657,622	(352,109)
Currency translation adjustments	31,323	(641,456)
Net (decrease)/increase in cash and cash equivalents	(1,380,190)	2,574,462
Cash and cash equivalents at beginning of the financial year	20,975,282	18,400,820
Impact of adopting SFRS(I) 9 at beginning of the financial year (Note 46)	22,021	–
Cash and cash equivalents at end of the financial year (Note 23)	19,617,113	20,975,282

The accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate Information

United Overseas Bank Limited (the Bank) is a limited liability company incorporated and domiciled in Singapore and listed on the Singapore Exchange. The registered office of the Bank is at 80 Raffles Place, UOB Plaza, Singapore 048624.

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its major subsidiaries are set out in Note 32 to the financial statements.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Bank and its subsidiaries (collectively, the Group) have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) as required by the Singapore Companies Act, and International Financial Reporting Standards (IFRS). In the previous years, the financial statements of the Group were prepared in accordance with Financial Reporting Standards in Singapore (FRS) with modification to FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in the Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning.

Except as otherwise stated, the financial statements have been prepared under the historical cost convention and are presented to the nearest thousand in Singapore Dollars.

(b) Changes in Accounting Policies

(i) Changes during the Financial Year

The Group adopted the following financial reporting standards during the financial year:

- SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)
- 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):
 - o Amendments to FRS 40: Transfers of Investment Property
 - o Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
 - o Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

There was no impact on the financial statements on application of SFRS(I) 1. As permitted by SFRS(I) 1, the Group has not restated comparatives on adoption of SFRS(I) 9. The cumulative effect of adopting SFRS(I) 9 is recognised in the opening retained earnings (or other component of equity as appropriate) at 1 January 2018. The impact of adopting SFRS(I) 9 on retained earnings and other reserves is shown in the Statement of Changes in Equity and Note 46.

The adoption of the other changes above did not have a significant impact on the Group's financial statements on transition date.

Other than the above, the accounting policies applied by the Group in the financial year were consistent with those adopted in the previous financial year.

Notes to the Financial Statements

for the financial year ended 31 December 2018

2. Summary of Significant Accounting Policies (continued)

(b) Changes in Accounting Policies (continued)

(ii) *Minimum Regulatory Loss Allowance*

The revised Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning, effective from 1 January 2018, requires Singapore-incorporated Domestic Systemically Important Banks to maintain a Minimum Regulatory Loss Allowance (MRLA) 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 MRLA, an additional loss allowance is required to be maintained in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of retained earnings.

Additional loss allowance under MAS Notice 612 was not required on adoption of the revised Notice.

(iii) *Changes Subsequent to the Financial Year*

The following SFRS(I) that are in issue will apply to the Group for the financial years as indicated:

Effective for the financial year beginning on or after 1 January 2019:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures

Effective for a financial year beginning on or after a date to be determined:

- Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The implications and impact of adopting the above changes are as follows:

SFRS(I) 16 Leases

SFRS(I) 16 introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) for all leases unless they are short term or of low value. Lessor accounting remains substantially unchanged and a lessor continues to account for its leases as operating leases or finance leases accordingly. Adoption of the Standard is not expected to have a significant impact on the Group's financial statements.

Others

Application of the other SFRS(I) listed above is not expected to have a significant impact on the Group's financial statements.

(c) Interests in Other Entities

(i) *Subsidiaries*

Subsidiaries are entities over which the Group has control. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Acquisition of subsidiaries is accounted for using the acquisition method. Consideration for the acquisition includes fair value of the assets transferred, liabilities incurred, equity interests issued and contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed are, with limited exceptions, measured at their fair values at the acquisition date. Non-controlling interests are measured at fair value or the proportionate share of the acquiree's net identifiable assets at the acquisition date, determined on a case by case basis. Acquisition-related costs are expensed off when incurred. Goodwill is determined and accounted for in accordance with Note 2h(i).

2. Summary of Significant Accounting Policies (continued)

(c) Interests in Other Entities (continued)

(i) *Subsidiaries (continued)*

Subsidiaries are consolidated from the date the Group obtains control until the date such control ceases. Intra-group balances and income and expenses are eliminated on consolidation. Adjustments are made to align the accounting policies of the subsidiaries to those of the Group. The portion of profit or loss and net assets of subsidiaries that belong to the non-controlling interests is disclosed separately in the consolidated financial statements. Gain or loss arising from changes of the Bank's interest in subsidiaries is recognised in the income statement if they result in loss of control in the subsidiaries, otherwise, in equity.

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less allowance for impairment, if any, determined on an individual basis.

(ii) *Associates and Joint Ventures*

Associates are entities in which the Group has significant influence but not control or joint control. This generally coincides with the Group having 20% or more of the voting power of the investees. Joint ventures are entities in which the Group and its joint venturers have joint control and rights to the net assets of the investees.

The Group's investment in associates and joint ventures is accounted for using the equity method from the date the Group obtains significant influence or joint control over the entities until the date such significant influence or joint control ceases. Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entities. Unrealised losses are also eliminated unless they relate to impairment of the assets transferred. Adjustments are made to align the accounting policies of the associates and joint ventures to those of the Group.

Under the equity method, the Group's investment in associates and joint ventures is carried in the balance sheet at cost (including goodwill on acquisition), plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures, less allowance for impairment, if any, determined on an individual basis. The Group recognises its share of the results of operations and changes in other comprehensive income of the associates and joint ventures in the consolidated income statement and in equity respectively. Where the share of losses of an associate or joint venture exceeds the Group's interest in the associate or joint venture, such excess is not recognised in the consolidated income statement.

Upon loss of significant influence over the associates or joint control over the joint ventures, any resulting gain or loss is recognised in the income statement and the related share of reserves is accounted for in the same manner as if the associates or joint ventures have directly disposed of the related assets and liabilities. Any retained investment is measured at its fair value.

In the Bank's separate financial statements, investment in associates and joint ventures is stated at cost less allowance for impairment, if any, determined on an individual basis.

(iii) *Joint Operations*

Joint operations are arrangements over which the Group and its joint operators have joint control and rights to the assets, and obligations for the liabilities, relating to the arrangements.

The Bank and the Group account for joint operations by taking their share of the relevant assets, liabilities, income and expenses accordingly.

Notes to the Financial Statements

for the financial year ended 31 December 2018

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments – from 1 January 2018

(i) *Classification*

Financial assets and financial liabilities are classified as follows:

Held for Trading (HFT)

Financial instruments within a held for trading business model are classified and measured at fair value through profit or loss (FVPL). Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Non-Trading Debt Assets

Non-trading debt assets with contractual cash flows that represent solely payments of principal and interest are classified and measured as follows:

- at amortised cost (AC) if they are held within a business model whose objective is to collect contractual cash flows from the assets;
- at fair value through other comprehensive income (FVOCI) if the objective of the business model is both for collection of contractual cash flows and for sale; or
- at fair value through profit or loss (FVPL – designated) if so designated to eliminate or reduce accounting inconsistency.

All other non-trading debt assets are mandatorily classified and measured at fair value through profit or loss (FVPL – mandatory).

Non-Trading Equity Instruments

Non-trading equity instruments are classified and measured at FVPL unless elected at inception to be classified and measured at FVOCI.

Non-Trading Financial Liabilities

Non-trading financial liabilities are classified and measured at AC. They may be classified as FVPL – designated at initial recognition if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

For financial liabilities with embedded derivatives, if the economic characteristics and risks of the embedded derivative is not closely related to the host, the embedded derivative is bifurcated and accounted for separately unless the entire instrument is measured at fair value through profit or loss. If the embedded derivative is closely related to the host, the financial liability is accounted for in its entirety based on the host's classification.

(ii) *Measurement*

Initial Measurement

Financial instruments are recognised initially at their fair value which is generally the transaction price, reduced by loss allowance for financial assets at amortised cost. Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at fair value through profit or loss.

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments – from 1 January 2018 (continued)

(ii) *Measurement (continued)*

Subsequent Measurement

Held for trading financial instruments and those FVPL – designated are remeasured at fair value with fair value changes recognised in the income statement; as an exception fair value changes attributable to own credit risk of financial liabilities that are FVPL – designated are taken into other comprehensive income unless this would create accounting mismatch, in which case such fair value changes are taken to income statement. Any such gains or losses recognised in other comprehensive income are not classified to the income statement upon derecognition, but are transferred to retained earnings.

Financial instruments classified as FVOCI are remeasured at fair value with fair value changes taken to the fair value reserve. For debt assets, the fair value change in the fair value reserve is taken to the income statement upon disposal or impairment of the assets. For equity instruments elected to be classified as FVOCI, only dividend income is recognised in income statement. Gains or losses recognised in the fair value reserve are not reclassified to the income statement upon derecognition, but are transferred to retained earnings.

All other financial instruments are measured at AC using the effective interest method less allowance for impairment. Any gain or loss on derecognition is recognised in the income statement.

Interest and dividend income on all non-derivative financial instruments at FVPL are recognised separately from fair value changes. The effective interest rate applied to performing financial assets is on their gross carrying amount. For non-performing financial assets the effective interest rate is applied to the net carrying amount.

Fair Value Determination

Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and ask prices respectively at the balance sheet date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models. Valuation inputs include spot and forward prices, volatilities, correlations and credit spreads.

(iii) *Recognition and Derecognition*

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the contractual rights to cash flows and risks and rewards associated with the instruments are substantially transferred, cancelled or expired.

(iv) *Offsetting*

Financial assets and financial liabilities are offset and presented net in the balance sheet if there is a current, unconditional and legally enforceable right and intention to settle them simultaneously or on a net basis.

(v) *Impairment*

Loans, debt assets, undrawn loan commitments and financial guarantees that are not measured at FVPL are subject to credit loss provisioning which is made on an expected loss basis, point-in-time, forward-looking and probability-weighted. Where there is no significant increase in credit risk since initial recognition, expected credit loss (ECL) representing possible default for the next 12 months is required (Stage 1). Lifetime ECL is required for non-credit-impaired financial assets with significant increase in credit risk since initial recognition (Stage 2) and credit-impaired financial assets (Stage 3).

Notes to the Financial Statements

for the financial year ended 31 December 2018

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments – from 1 January 2018 (continued)

(v) *Impairment (continued)*

The Group considers a range of qualitative and quantitative parameters to assess whether a significant increase in credit risk since initial recognition has occurred. Parameters such as changes in credit risk ratings, delinquency, special mention, behavioural score cards and non-investment grade status are considered where available and relevant. Exposures are considered credit-impaired if they are past due for 90 days or more or exhibit weaknesses which are likely to jeopardise repayments on existing terms. The definition of default is consistent with that used for risk management purposes.

Exposures with significant increase in credit risk are transferred from Stage 1 to Stage 2. Exposures are transferred back to Stage 1 when they no longer meet the criteria for a significant increase in credit risk. Exposures that are credit-impaired are classified as Stage 3 and could be upgraded to Stage 1 or Stage 2 if supported by repayment capability, cash flows and financial position of the borrower and it is unlikely that the exposure will be classified again as credit-impaired in the future.

Although the Group leverages its Basel credit risk models and systems, modifications are required to ensure that outcomes are in line with SFRS(I) 9 ECL requirements. Such modifications include transforming regulatory probabilities of default (PD), loss given default (LGD) and exposure at default (EAD) considering forward-looking information, discount rate and discounting period. Macro-economic variables considered include interest rates, property price indices, unemployment rates, consumer price indices, gross domestic products and equity price indices.

ECL is computed by discounting the product of PD, LGD and EAD to the reporting date at the original effective interest rate or an approximation thereof. The ECL is adjusted with a management overlay where considered appropriate.

Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively while exposures in Stage 3 are individually assessed. Those collectively assessed are grouped based on similar credit risks and assessed on a portfolio basis. ECL is recognised in the income statement.

Financial assets are written off when the prospect of recovery is considered poor or when all avenues of recovery have been exhausted.

(e) Financial Derivatives

Financial derivatives are recognised and measured at fair value initially and subsequently. Derivatives with positive and negative fair values are presented under assets and liabilities in the balance sheet respectively. Fair value changes of derivatives are recognised in the income statement unless they are designated as hedging instruments and accounted for in accordance with Note 2f.

Financial derivatives embedded in non-financial host contracts are bifurcated and accounted for separately if their economic characteristics and risks are not closely related to those of the host contracts and the combined contracts are not carried at FVPL.

(f) Hedge Accounting

The Group has elected to adopt the requirements of SFRS(I) 9 hedge accounting.

(i) *Fair Value Hedge*

A fair value hedge is a hedge of changes in the fair value of an asset, liability or a firm commitment.

For a fair value hedge of an equity instrument designated at fair value through other comprehensive income, fair value changes of the hedging instrument are recognised in other comprehensive income and presented in retained earnings when the hedge is terminated.

2. Summary of Significant Accounting Policies (continued)

(f) Hedge Accounting (continued)

(i) *Fair Value Hedge (continued)*

For other fair value hedges, fair value changes of the hedging instrument are recognised in the income statement. Fair value changes of the hedged item attributable to the hedged risk are taken to the income statement with a corresponding adjustment made to the carrying amount of the hedged item. The adjustment is amortised over the expected life of the hedged item when the hedge is terminated and taken to income statement upon disposal of the hedged item.

(ii) *Cash Flow Hedge*

A cash flow hedge is a hedge of the variability in the cash flows of an asset, liability or highly probable forecast transaction.

Fair value changes of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and taken to the hedge reserve under equity while those relating to the ineffective portion are recognised in the income statement. If the hedge transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedge reserve is transferred and included in the initial carrying amount of the hedged item.

For other cash flow hedges, the amount in the hedge reserve is transferred to the income statement at the same time as the cash flow of the hedged item is recognised in the income statement or immediately when the forecasted hedged item is no longer expected to occur.

(iii) *Hedge of Net Investment in a Foreign Operation*

A hedge of a net investment in a foreign operation is a hedge of foreign exchange rate fluctuation on the net assets of a foreign operation.

Fair value changes of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and taken to the foreign currency translation reserve under equity while those relating to the ineffective portion are recognised in the income statement. The amount taken to the reserve is transferred to the income statement upon disposal of the foreign operation.

(g) Investment Properties and Fixed Assets

Investment properties and fixed assets are stated at cost less accumulated depreciation and impairment allowance.

Investment properties are properties held for rental income and/or capital appreciation while owner-occupied properties are those for office use.

Freehold land and leasehold land with remaining leases of 100 years or more are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over their expected useful lives of three to ten years. The expected useful life, depreciation method and residual value of investment properties and fixed assets are reviewed annually.

Investment properties and fixed assets are reviewed for impairment when events or changes in circumstances indicate that their recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts.

Investment properties and fixed assets are derecognised upon disposal and the resulting gain or loss is recognised in the income statement.



Notes to the Financial Statements

for the financial year ended 31 December 2018

2. Summary of Significant Accounting Policies (continued)

(h) Intangible assets

(i) *Goodwill*

Goodwill in a business combination represents the excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Where (b) exceeds (a) and the measurement of all amounts has been reviewed, the gain is recognised in the income statement. Goodwill is measured at cost less accumulated impairment allowance, if any.

Goodwill is reviewed for impairment annually or more frequently if the circumstances indicate that its carrying amount may be impaired. At the date of acquisition, goodwill is allocated to the cash-generating units (CGU) expected to benefit from the synergies of the business combination. The Group's CGU correspond with the operating segments reported in Note 43a. Where the recoverable amount, being the higher of fair value less cost to sell and value in use, of a CGU is below its carrying amount, the impairment allowance is recognised in the income statement and subsequent reversal is not allowed.

(ii) *Other Intangible Assets*

Other intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, they are measured at cost less accumulated amortisation and impairment allowance, if any.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortisation charges are recognised in the income statement. The useful life and amortisation method are reviewed annually.

Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually or more frequently if the circumstances indicate that the recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts.

(i) Foreign Currencies

(i) *Foreign Currency Transactions*

On initial recognition, transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rate ruling at the transaction date. Subsequent to initial recognition, monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the income statement. Exchange differences arising from monetary items that form part of the net investment in foreign operations, or on foreign currency borrowings that provide a hedge against a net investment in a foreign operation, are recognised initially in the foreign currency translation reserve in the consolidated balance sheet, and subsequently in the consolidated income statement on disposal of the foreign operation.

2. Summary of Significant Accounting Policies (continued)

(i) Foreign Currencies (continued)

(ii) *Foreign Operations*

Income and expenses of foreign operations are translated into Singapore Dollars at the exchange rate prevailing at each respective month-end which approximates the exchange rate at the transaction date. Foreign operations' assets and liabilities are translated at the exchange rate ruling at the balance sheet date. All resultant exchange differences are recognised in the foreign currency translation reserve, and subsequently to the consolidated income statement upon disposal of the foreign operations. In the case of a partial disposal without loss of control of a subsidiary, the proportionate share of the accumulated exchange differences are not recognised in the income statement but re-attributed to the non-controlling interests. For partial disposal of an associate or joint venture, the proportionate share of the accumulated exchange differences is reclassified to income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are recorded in the functional currency of the foreign operations and translated at the exchange rate at the balance sheet date. For acquisitions prior to 1 January 2005, goodwill and fair value adjustments were recorded in Singapore Dollars at the exchange rate prevailing at the date of acquisition.

(j) Tax

(i) *Current Tax*

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax law applied are those that have been enacted or substantively enacted by the balance sheet date.

(ii) *Deferred Tax*

Deferred tax is provided on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax is measured at the tax rate that is expected to apply when the assets are realised or the liabilities are settled, based on the tax rate and tax law that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is not provided for temporary differences arising from (a) initial recognition of goodwill, (b) initial recognition of an asset or liability that is not a business combination and that does not affect accounting or taxable profit at the time of the transaction and (c) taxable temporary differences related to investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Where gains and losses are recognised directly in equity, the related deferred tax is also taken to equity.

(iii) *Offsetting*

Current and deferred tax assets are offset with current and deferred tax liabilities respectively if (a) there is a legally enforceable right and intention to settle them simultaneously or on a net basis, (b) they are of the same tax reporting entity or group and (c) they relate to the same tax authority.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources to settle the obligation is probable and can be reliably estimated. Provisions are recognised at the best estimate of the amount required to settle the obligation. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(l) Financial Guarantees

Financial guarantees are recognised initially at their fair value which is generally the fees received. The fees are recognised on a straight-line basis over the contractual terms. Subsequent to initial recognition, the liabilities are measured at the higher of their carrying amount and the estimated expenditure required to settle the obligations.

Notes to the Financial Statements

for the financial year ended 31 December 2018

2. Summary of Significant Accounting Policies (continued)

(m) Undrawn Credit Facilities

Undrawn credit facilities (both revocable and irrevocable) are recorded under commitments and the amount is adjusted for subsequent drawdowns.

(n) Contingent Liabilities

Contingent liabilities are only recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

(o) Revenue Recognition

Interest income is recognised using the effective interest method.

Dividend income is recognised when the right to receive it is established.

Fee and commission income is recognised when control of the good or service is transferred. For services that are provided over a period of time, fee and commission income is recognised over the service period.

Rental income is recognised on a time proportion basis.

(p) Employee Compensation/Benefits

Base salaries, cash bonuses, allowances, commissions and defined contributions under regulations are recognised in the income statement when incurred. Leave entitlements are recognised when they accrue to employees based on contractual terms of employment.

Cost of share-based compensation, being the fair value of the equity instrument at grant date, is expensed to the income statement over the vesting period with a corresponding adjustment to the share-based compensation reserve. The cost is reviewed and adjusted accordingly at each balance sheet date to reflect the number of equity instruments expected to vest ultimately.

(q) Dividend Payment

Dividends are accounted for as an appropriation of retained earnings. Interim dividends on ordinary shares and dividends on preference shares are recorded when declared payable while final dividends on ordinary shares are recognised upon approval of equity holders.

(r) Treasury Shares

Ordinary shares of the Bank reacquired are accounted for as treasury shares. Consideration paid, including directly attributable costs, is presented as a deduction from equity. Subsequent cancellation, sale or reissuance of treasury shares is recognised as changes in equity.

(s) Critical Accounting Estimates and Judgements

Preparation of the financial statements involves making certain assumptions and estimates. This often requires management's judgement for the appropriate policies, assumptions, inputs and methodologies to be used. As judgements are made based on information available at the time the financial statements are prepared, the ultimate results could differ from those disclosed in the statements due to subsequent changes in the information. The following provides a brief description of the Group's critical accounting estimates that involve management's judgement.

(i) Allowance for Impairment of Financial Assets

Allowance for impairment of financial assets is determined in accordance with Note 2d(v) and Note 2t(iii). This requires management's experience and significant judgement. The process involves assessing various factors such as economic indicators, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral.

(ii) Classification of Financial Assets

Classification of financial assets is determined in accordance with Note 2d(i) and 2t(i). On adoption of SFRS(I) 9, management judgement was required concerning business model assessment and determination of whether contractual cash flows can be considered as solely payments of principal and interest.

2. Summary of Significant Accounting Policies (continued)

(s) Critical Accounting Estimates and Judgements (continued)

(iii) *Fair Valuation of Financial Instruments*

Fair value of financial instruments is determined in accordance with Notes 2d(ii) and 18a. Valuation of financial instruments that are not quoted in the market or with complex structures requires considerable judgement of management in selecting the appropriate valuation models and data inputs.

(iv) *Goodwill*

Goodwill is reviewed for impairment in accordance with Notes 2h(i) and 36b. The process requires management's assessment of key factors such as future economic growth, business forecasts and discount rates.

(v) *Income Taxes*

Income taxes are provided in accordance with Note 2j. The Group is subject to income taxes in various jurisdictions. Provision for these taxes involves interpretation of the tax regulations on certain transactions and computations. In cases of uncertainty, provision is estimated based on the technical merits of the situation.

(t) Financial Instruments – before 1 January 2018

The following represent key differences in the significant accounting policies for financial instruments in the comparative periods.

(i) *Classification*

Financial assets and financial liabilities are classified as follows:

At Fair Value Through Profit or Loss

Financial instruments are classified as fair value through profit or loss if they are held for trading or designated as such upon initial recognition.

Financial instruments are classified as held for trading if they are acquired for short-term profit taking.

Financial instruments may be designated as fair value through profit or loss if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the intention and ability to hold the assets till maturity.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-sale

Non-derivative financial assets that are not classified into any of the preceding categories and are available-for-sale are classified in this category.

Non-trading Liabilities

Non-derivative financial liabilities that are not held for active trading or designated as fair value through profit or loss are classified as non-trading liabilities.

Notes to the Financial Statements

for the financial year ended 31 December 2018

2. Summary of Significant Accounting Policies (continued)

(t) Financial Instruments – before 1 January 2018 (continued)

(ii) Measurement

Initial Measurement

Financial instruments are recognised initially at their fair value which is generally the transaction price. Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at fair value through profit or loss.

Subsequent Measurement

Financial instruments classified as held for trading and designated as fair value through profit or loss are measured at fair value with fair value changes recognised in the income statement.

Available-for-sale financial assets are measured at fair value with fair value changes taken to the fair value reserve, and subsequently to the income statement upon disposal or impairment of the assets.

All other financial instruments are measured at amortised cost using the effective interest method less allowance for impairment.

Interest and dividend income on all non-derivative financial instruments at fair value through profit or loss are recognised separately from fair value changes.

(iii) Total Allowance

Specific Allowance

Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each balance sheet date. Allowance for impairment is recognised when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped based on similar credit risks and assessed on a portfolio basis.

For financial assets carried at amortised cost, allowance for impairment is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in the income statement.

For available-for-sale financial assets, allowance for impairment is determined as the difference between the assets' cost and the current fair value, less any allowance for impairment previously recognised in the income statement. The loss is transferred from the fair value reserve to the income statement. For available-for-sale equity instruments, subsequent recovery of the allowance for impairment is written back to the fair value reserve.

Financial assets are written off when all avenues of recovery have been exhausted.

General Allowance

General allowance is made for estimated losses inherent in but not currently identifiable to individual financial assets. The allowance is made based on management's experience and judgement and taking into account country and portfolio risks. The Group maintains general allowance of at least 1% of its credit exposure net of collateral and specific allowance in accordance with the transitional provision set out in MAS Notice 612.

3. Interest Income

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Loans to customers	8,843,599	7,474,221	5,842,868	4,659,141
Placements and balances with banks	1,531,911	997,042	1,249,414	722,647
Government treasury bills and securities	406,386	313,212	209,044	141,147
Trading and investment securities	359,067	292,073	321,514	272,707
	11,140,963	9,076,548	7,622,840	5,795,642
Of which, interest income on:				
Impaired financial assets	17,797	13,295	12,008	8,247
Financial assets measured at amortised cost	10,701,453	NA	7,242,980	NA
Financial assets measured at fair value through other comprehensive income	344,675	NA	328,305	NA

NA denotes not applicable due to adoption of SFRS(I) 9.

4. Interest Expense

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Deposits of customers	4,082,519	3,017,785	2,628,773	1,659,851
Deposits and balances of banks and debts issued	838,479	530,696	750,973	468,745
	4,920,998	3,548,481	3,379,746	2,128,596
Of which, interest expense on:				
Financial liabilities measured at amortised cost	4,888,432	NA	3,347,848	NA
Financial liabilities at fair value through profit or loss	32,566	28,136	31,898	26,121

NA denotes not applicable due to adoption of SFRS(I) 9.

Notes to the Financial Statements

for the financial year ended 31 December 2018

5. Net Fee and Commission Income

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Credit card ⁽¹⁾	439,821	403,636	315,325	292,914
Fund management	260,881	239,314	10,044	5,422
Wealth management	543,467	547,196	451,830	463,787
Loan-related ⁽²⁾	545,162	471,390	440,946	386,535
Service charges	153,559	147,763	128,749	119,113
Trade-related ⁽³⁾	296,412	272,281	193,582	175,997
Others	63,274	79,872	27,891	26,689
	2,302,576	2,161,452	1,568,367	1,470,457
Fee and commission expenses ⁽⁴⁾	(335,884)	(288,627)	(206,619)	(171,960)
Net fee and commission income	1,966,692	1,872,825	1,361,748	1,298,497

Of which, fee and commission from:

Financial assets not measured at fair value through profit or loss	432,212	374,916	362,361	309,555
Provision of trust and other fiduciary services	10,990	11,845	9,822	10,373

(1) Credit card fees are net of interchange fees paid.

(2) Loan-related fees includes fees earned from corporate finance activities.

(3) Trade-related fees includes trade, remittance and guarantees related fees.

(4) Relates to fee and commission expenses that were directly attributable to the fee and commission income. Previously, these were classified within revenue-related expenses. Prior year comparatives have been restated to conform with current year's presentation.

6. Net Trading Income

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) from:				
Foreign exchange	648,299	432,139	505,894	400,690
Interest rate and others	(14,355)	369,839	(56,595)	225,405
Financial assets designated as fair value through profit or loss	-	7,533	-	-
Financial liabilities designated as fair value through profit or loss	48,814	(34,426)	52,589	(27,429)
	682,758	775,085	501,888	598,666

7. Net (Loss)/Gain from Investment Securities

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Fair value through other comprehensive income /Available-for-sale	(32,272)	126,620	(40,405)	102,638
Amortised cost/Loans and receivables	(341)	342	2,479	4,173
Fair value through profit or loss – mandatory	(2,875)	-	(9,006)	-
	(35,488)	126,962	(46,932)	106,811

8. Other Income

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) from:				
Disposal of investment properties	14,046	9,125	14,046	9,125
Disposal of fixed assets	8,902	486	8,165	(15)
Disposal/liquidation of subsidiaries, associates or joint ventures	(3,260)	(1,882)	(438)	9,691
Others	116,464	109,743	137,467	125,822
	136,152	117,472	159,240	144,623

9. Staff Costs

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Salaries, bonuses and allowances	1,929,699	1,780,841	1,141,058	1,084,081
Employer's contribution to defined contribution plans	173,675	160,626	100,867	96,269
Share-based compensation	39,875	40,679	30,865	31,428
Others	303,794	241,902	189,414	135,668
	2,447,043	2,224,048	1,462,204	1,347,446
Of which, the Bank's directors' remuneration	10,563	9,375	10,563	9,375

10. Other Operating Expenses

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Revenue-related	592,393	600,404	299,721	328,202
Occupancy-related	321,473	332,284	200,382	205,064
IT-related	414,422	365,271	373,670	323,169
Others	227,984	216,597	144,645	128,777
	1,556,272	1,514,556	1,018,418	985,212
Of which:				
Advisory/Directors' fees	5,140	5,064	3,655	3,723
Depreciation of assets	272,852	258,271	181,665	159,403
Rental expenses	134,994	128,575	87,081	88,861
Auditors' remuneration paid/payable to:				
Auditors of the Bank	3,312	3,088	2,536	2,374
Affiliates of auditors of the Bank	2,584	2,135	815	705
Other auditors	212	195	31	117
Non-audit fees paid/payable to:				
Auditors of the Bank	678	628	618	565
Affiliates of auditors of the Bank	746	891	475	485
Other auditors	257	166	174	140
Expenses on investment properties	58,148	52,262	41,226	40,381
Fee expenses arising from financial liabilities not at fair value through profit or loss	54,792	59,924	19,262	23,519

Notes to the Financial Statements

for the financial year ended 31 December 2018

11. Allowance for Credit and Other Losses

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Stage 1 and 2 ECL/General allowance	19,240	(747,323)	(13,549)	(776,730)
Stage 3 ECL/Specific allowance for:				
Loans (Note 27d)	376,058	1,406,948	98,977	1,077,065
Others	(5,205)	67,813	(16,664)	28,847
Allowance for other losses	2,578	–	90,800	–
	392,671	727,438	159,564	329,182

12. Tax

The tax charge to the income statements comprises the following:

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
On profit of the financial year				
Current tax	824,486	801,588	582,456	574,015
Deferred tax	20,086	(16,808)	28,285	12,224
	844,572	784,780	610,741	586,239
(Over)/under-provision of prior year tax				
Current tax	(38,206)	(3,337)	(30,542)	(4,683)
Deferred tax	(9,954)	335	(10,147)	(721)
Effect of change in tax rate	(1,638)	–	(1,625)	–
Share of tax of associates and joint ventures	10,551	18,335	–	–
	805,325	800,113	568,427	580,835

The tax charge on profit for the financial year differs from the theoretical amount computed using Singapore corporate tax rate due to the following factors:

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Operating profit after allowance	4,720,338	4,096,601	3,931,335	3,425,778
Prima facie tax calculated at tax rate of 17% (2017: 17%)	802,457	696,422	668,327	582,382
Effect of:				
Income taxed at concessionary rates	(84,326)	(40,893)	(84,521)	(40,324)
Different tax rates in other countries	119,770	125,829	58,423	74,376
Income not subject to tax	(31,140)	(31,433)	(57,394)	(41,854)
Expenses not deductible for tax	36,412	42,193	24,784	12,140
Others	1,399	(7,338)	1,122	(481)
Tax expense on profit of the financial year	844,572	784,780	610,741	586,239

13. Earnings Per Share

Basic and diluted earnings per share (EPS) are determined as follows:

	The Group	
	2018	2017
Profit attributable to equity holders of the Bank (\$'000)	4,008,001	3,390,291
Distribution of perpetual capital securities (\$'000)	(111,058)	(102,322)
Adjusted profit (\$'000)	3,896,943	3,287,969
Weighted average number of ordinary shares ('000)		
In issue	1,665,161	1,650,540
Adjustment for potential ordinary shares under share-based compensation plans	6,191	6,572
Diluted	1,671,352	1,657,112
EPS (\$)		
Basic	2.34	1.99
Diluted	2.33	1.98

Notes to the Financial Statements

for the financial year ended 31 December 2018

14. Share Capital and Other Capital

(a)

	2018		2017	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Ordinary shares				
Balance at 1 January	1,671,534	4,965,567	1,646,966	4,477,326
Shares issued under scrip dividend scheme	9,007	267,153	24,568	488,241
Balance at 31 December	1,680,541	5,232,720	1,671,534	4,965,567
Treasury shares				
Balance at 1 January	(8,879)	(173,896)	(11,274)	(220,797)
Share re-purchased – held in treasury	(7,902)	(212,438)	–	–
Shares issued under share-based compensation plans	1,947	41,155	2,395	46,901
Balance at 31 December	(14,834)	(345,179)	(8,879)	(173,896)
Ordinary share capital	1,665,707	4,887,541	1,662,655	4,791,671
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	–	–	–	847,441
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	–	498,552	–	498,552
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	–	748,491	–	748,491
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017	–	879,488	–	879,488
Share capital and other capital of the Bank and the Group		7,014,072		7,765,643

- (b) The ordinary shares have no par value and are fully paid. The holders of ordinary shares (excluding treasury shares) have unrestricted rights to dividends, return of capital and voting.
- (c) During the financial year, the Bank issued 1,947,000 (2017: 2,395,000) treasury shares to participants of the share-based compensation plans.

14. Share Capital and Other Capital (continued)

- (d) The 4.75% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 19 November 2013. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 19 November 2019 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4.75% per annum, subject to a reset on 19 November 2019 (and every six years thereafter) to a rate equal to the prevailing six-year Singapore Dollar SOR plus the initial margin of 2.92%. Distributions are payable semi-annually on 19 May and 19 November of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

The capital securities constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without preference among themselves.

- (e) The 4.00% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 18 May 2016. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 18 May 2021 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4.00% per annum, subject to a reset on 18 May 2021 (and every five years thereafter) to a rate equal to the prevailing five-year Singapore Dollar SOR plus the initial margin of 2.035%. Distributions are payable semi-annually on 18 May and 18 November of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

The capital securities constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without preference among themselves.

- (f) The 3.875% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 19 October 2017. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 19 October 2023 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 3.875% per annum, subject to a reset on 19 October 2023 (and every five years thereafter) to a rate equal to the prevailing five-year United States Dollar Swap Rate plus the initial spread of 1.794%. Distributions are payable semi-annually on 19 April and 19 October of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

The capital securities constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without preference among themselves.

Notes to the Financial Statements

for the financial year ended 31 December 2018

15. Retained Earnings

(a)

	The Group		The Bank	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at 1 January	19,707,178	17,333,616	14,700,659	13,030,819
Impact of adopting SFRS(I) 9 (Note 46)	58,967	–	96,306	–
Restated opening balance under SFRS(I) 9	19,766,145	17,333,616	14,796,965	13,030,819
Profit for the financial year attributable to equity holders of the Bank	4,008,001	3,390,291	3,362,908	2,844,943
Net gains on equity instruments at fair value through other comprehensive income	60	–	407	–
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	(55)	–	(55)	–
Remeasurement of defined benefit obligation	7,957	(7,214)	(74)	(28)
Transfer from/(to) other reserves	(23,956)	237,878	335	2,475
Reclassification of share-based compensation reserves on expiry	127	1,229	127	1,229
Change in non-controlling interests	779	–	–	–
Transfer from subsidiary upon merger	–	–	–	69,843
Dividends				
Ordinary shares				
Final dividend of 45 cents (2017: 35 cents) and special dividend of 20 cents (2017: nil) tax-exempt per share paid in respect of prior financial year	(1,079,563)	(572,532)	(1,079,563)	(572,532)
Interim dividend of 50 cents (2017: 35 cents) tax-exempt per share paid in respect of the financial year	(834,099)	(580,690)	(834,099)	(580,690)
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	(41,650)	(41,650)	(41,650)	(41,650)
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	(23,750)	(23,750)	(23,750)	(23,750)
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	(30,000)	(30,000)	(30,000)	(30,000)
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017	(33,971)	–	(33,971)	–
	(2,043,033)	(1,248,622)	(2,043,033)	(1,248,622)
Balance at 31 December	21,716,025	19,707,178	16,117,580	14,700,659

- (b) The retained earnings are distributable reserves except for an amount of \$535 million (2017: \$554 million), being the Group's share of revenue reserves of associates and joint ventures which is distributable only upon realisation by way of dividend from or disposal of investment in the associates and joint ventures.
- (c) In respect of the financial year ended 31 December 2018, the directors have proposed a final tax-exempt dividend of 50 cents and a special tax-exempt dividend of 20 cents per ordinary share amounting to a total dividend of \$1,166 million. The proposed dividend will be accounted for in Year 2019 financial statements upon approval of the equity holders of the Bank.

16. Other Reserves

(a)

	The Group								
	Fair value reserve \$'000	Foreign currency translation reserve \$'000	Share-based compensation reserve \$'000	Merger reserve \$'000	Statutory reserve \$'000	General reserve \$'000	Share of reserves of associates and joint ventures \$'000	Others \$'000	Total \$'000
2018									
Balance at 1 January	1,375,956	(1,391,004)	71,825	3,065,676	341,292	6,216,161	81,373	(384,166)	9,377,113
Impact of adopting SFRS(I) 9 (Note 46)	613	–	–	–	–	–	–	–	613
Restated opening balance under SFRS(I) 9	1,376,569	(1,391,004)	71,825	3,065,676	341,292	6,216,161	81,373	(384,166)	9,377,726
Other comprehensive income for the financial year	(429,716)	(72,018)	–	–	–	–	(3,125)	–	(504,859)
Transfers	–	–	–	(1,238)	37,137	–	–	(11,943)	23,956
Share-based compensation	–	–	40,017	–	–	–	–	–	40,017
Reclassification of share-based compensation reserves on expiry	–	–	(127)	–	–	–	–	–	(127)
Shares issued under share-based compensation plans	–	–	(37,566)	–	–	–	–	(3,589)	(41,155)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	(2,559)	(2,559)
Balance at 31 December	946,853	(1,463,022)	74,149	3,064,438	378,429	6,216,161	78,248	(402,257)	8,892,999
2017									
Balance at 1 January	874,933	(1,329,839)	77,791	3,068,151	536,092	6,198,968	87,161	(324,697)	9,188,560
Other comprehensive income for the financial year	501,127	(61,165)	–	–	–	–	(5,788)	–	434,174
Transfers	–	–	–	(2,475)	(194,800)	17,193	–	(57,796)	(237,878)
Share-based compensation	–	–	40,491	–	–	–	–	–	40,491
Reclassification of share-based compensation reserves on expiry	–	–	(1,229)	–	–	–	–	–	(1,229)
Shares issued under share-based compensation plans	–	–	(45,228)	–	–	–	–	(1,673)	(46,901)
Change in non-controlling interests	(104)	–	–	–	–	–	–	–	(104)
Balance at 31 December	1,375,956	(1,391,004)	71,825	3,065,676	341,292	6,216,161	81,373	(384,166)	9,377,113

Notes to the Financial Statements

for the financial year ended 31 December 2018

16. Other Reserves (continued)

(a) (continued)

	The Bank							
	Fair value reserve \$'000	Foreign currency translation reserve \$'000	Share-based compensation reserve \$'000	Merger reserve \$'000	Statutory reserve \$'000	General reserve \$'000	Others \$'000	Total \$'000
2018								
Balance at 1 January	1,331,803	(83,153)	71,825	3,065,676	–	5,720,021	(60,801)	10,045,371
Impact of adopting SFRS(I) 9 (Note 46)	(28,816)	–	–	–	–	–	–	(28,816)
Restated opening balance under SFRS(I) 9	1,302,987	(83,153)	71,825	3,065,676	–	5,720,021	(60,801)	10,016,555
Other comprehensive income for the financial year	(404,902)	(9,959)	–	–	–	–	–	(414,861)
Transfers	–	–	–	(1,238)	903	–	–	(335)
Share-based compensation	–	–	40,017	–	–	–	–	40,017
Reclassification of share-based compensation reserves on expiry	–	–	(127)	–	–	–	–	(127)
Shares issued under share-based compensation plans	–	–	(37,566)	–	–	–	(3,589)	(41,155)
Redemption of perpetual capital securities	–	–	–	–	–	–	(2,559)	(2,559)
Balance at 31 December	898,085	(93,112)	74,149	3,064,438	903	5,720,021	(66,949)	9,597,535
2017								
Balance at 1 January	884,813	(52,189)	77,791	3,068,151	–	5,678,153	(31,238)	9,625,481
Other comprehensive income for the financial year	446,990	(30,964)	–	–	–	–	–	416,026
Transfers	–	–	–	(2,475)	–	–	–	(2,475)
Share-based compensation	–	–	40,491	–	–	–	–	40,491
Reclassification of share-based compensation reserves on expiry	–	–	(1,229)	–	–	–	–	(1,229)
Shares issued under share-based compensation plans	–	–	(45,228)	–	–	–	(1,673)	(46,901)
Transfer from subsidiary upon merger	–	–	–	–	–	41,868	(27,890)	13,978
Balance at 31 December	1,331,803	(83,153)	71,825	3,065,676	–	5,720,021	(60,801)	10,045,371

- (b) Fair value reserve contains cumulative fair value changes of fair value through other comprehensive income/available-for-sale financial assets and changes attributable to own credit risk. The cumulative amount attributable to own credit risk is an unrealised gain of \$65 million (2017: \$52 million). Realised gains or losses attributable to changes in own credit risk is insignificant.
- (c) Foreign currency translation reserve represents differences arising from the use of year end exchange rates versus historical rates in translating the net assets of foreign operations, net of the effective portion of the fair value changes of related hedging instruments.
- (d) Share-based compensation reserve reflects the Bank's and the Group's commitments under the share-based compensation plans.
- (e) Merger reserve represents the premium on shares issued in connection with the acquisition of Overseas Union Bank Limited.
- (f) Statutory reserve is maintained in accordance with the provisions of applicable laws and regulations. This reserve is non-distributable unless otherwise approved by the relevant authorities.
- (g) General reserve has not been earmarked for any specific purpose.
- (h) Share of reserves of associates and joint ventures comprises the Group's share of associates' and joint ventures' reserves, other than retained earnings. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates and joint ventures.
- (i) Other reserves are maintained for capital related transactions such as transactions associated with non-controlling interests, business combination and bonus share issuance by subsidiaries.

17. Classification of Financial Assets and Financial Liabilities

(a)

	The Group					
	HFT \$'000	FVPL -mandatory \$'000	FVPL -designated \$'000	FVOCI \$'000	AC \$'000	Total \$'000
2018						
Cash, balances and placements with central banks	3,344,181	–	–	1,080,630	20,827,686	25,252,497
Singapore Government treasury bills and securities	271,877	–	–	5,342,700	–	5,614,577
Other government treasury bills and securities	704,691	–	4,341	12,469,637	22,198	13,200,867
Trading securities	1,928,520	–	–	–	–	1,928,520
Placements and balances with banks	11,567,045	–	–	6,050,347	33,182,121	50,799,513
Loans to customers	3,933,353	–	–	–	254,693,918	258,627,271
Derivative financial assets	5,730,057	–	–	–	–	5,730,057
Investment securities						
Debt	–	1,937	–	9,296,383	843,638	10,141,958
Equity	–	1,062,075	–	2,349,070	–	3,411,145
Other assets	1,763,305	–	–	3,257	2,669,655	4,436,217
Total financial assets	29,243,029	1,064,012	4,341	36,592,024	312,239,216	379,142,622
Non-financial assets						8,949,733
Total assets						388,092,355
Deposits and balances of banks and customers	1,099,886	–	1,774,689	–	304,111,886	306,986,461
Bills and drafts payable	–	–	–	–	637,675	637,675
Derivative financial liabilities	5,839,999	–	–	–	–	5,839,999
Other liabilities	847,790	–	–	–	4,313,566	5,161,356
Debts issued	–	–	1,548,703	–	29,056,908	30,605,611
Total financial liabilities	7,787,675	–	3,323,392	–	338,120,035	349,231,102
Non-financial liabilities						1,048,461
Total liabilities						350,279,563

Notes to the Financial Statements

for the financial year ended 31 December 2018

17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Group				
	Held for trading \$'000	Designated as fair value through profit or loss \$'000	Available-for-sale \$'000	Loans and receivables/ amortised cost \$'000	Total \$'000
2017					
Cash, balances and placements with central banks	3,498,227	–	1,256,325	21,870,417	26,624,969
Singapore Government treasury bills and securities	273,413	–	3,993,766	–	4,267,179
Other government treasury bills and securities	2,367,286	4,186	9,337,346	–	11,708,818
Trading securities	1,765,963	–	–	–	1,765,963
Placements and balances with banks	8,810,279	–	3,613,863	39,756,883	52,181,025
Loans to customers	3,401,517	–	–	228,810,229	232,211,746
Derivative financial assets	5,780,915	–	–	–	5,780,915
Investment securities					
Debt	–	–	7,691,525	384,481	8,076,006
Equity	–	10,874	3,186,000	–	3,196,874
Other assets	975,832	53,050	3,084	3,074,984	4,106,950
Total financial assets	26,873,432	68,110	29,081,909	293,896,994	349,920,445
Non-financial assets					8,671,918
Total assets					358,592,363
Deposits and balances of banks and customers	819,862	1,862,059	–	281,523,686	284,205,607
Bills and drafts payable	–	–	–	702,330	702,330
Derivative financial liabilities	5,530,748	–	–	–	5,530,748
Other liabilities	739,649	–	–	4,106,152	4,845,801
Debts issued	–	1,539,182	–	23,639,219	25,178,401
Total financial liabilities	7,090,259	3,401,241	–	309,971,387	320,462,887
Non-financial liabilities					1,092,881
Total liabilities					321,555,768

17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Bank						Total \$'000
	HFT \$'000	FVPL -mandatory \$'000	FVPL -designated \$'000	FVOCI \$'000	AC \$'000		
2018							
Cash, balances and placements with central banks	3,025,434	–	–	877,052	16,880,024		20,782,510
Singapore Government treasury bills and securities	271,876	–	–	5,337,234	–		5,609,110
Other government treasury bills and securities	486,935	–	–	5,159,278	22,198		5,668,411
Trading securities	1,794,810	–	–	–	–		1,794,810
Placements and balances with banks	11,161,701	–	–	3,896,146	24,754,310		39,812,157
Loans to customers	3,909,826	–	–	–	197,879,056		201,788,882
Placements with and advances to subsidiaries	679,514	–	–	–	15,683,188		16,362,702
Derivative financial assets	4,343,866	–	–	–	–		4,343,866
Investment securities							
Debt	–	–	–	8,239,077	765,622		9,004,699
Equity	–	562,720	–	2,100,950	–		2,663,670
Other assets	1,439,171	–	–	1,423	1,386,313		2,826,907
Total financial assets	27,113,133	562,720	–	25,611,160	257,370,711		310,657,724
Non-financial assets							12,460,771
Total assets							323,118,495
Deposits and balances of banks, customers and subsidiaries	1,022,515	–	1,774,689	–	250,094,520		252,891,724
Bills and drafts payable	–	–	–	–	359,074		359,074
Derivative financial liabilities	4,487,314	–	–	–	–		4,487,314
Other liabilities	683,366	–	–	–	2,279,008		2,962,374
Debts issued	–	–	1,548,703	–	27,356,338		28,905,041
Total financial liabilities	6,193,195	–	3,323,392	–	280,088,940		289,605,527
Non-financial liabilities							783,781
Total liabilities							290,389,308

Notes to the Financial Statements

for the financial year ended 31 December 2018

17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Bank				Total \$'000
	Held for trading \$'000	Designated as fair value through profit or loss \$'000	Available-for-sale \$'000	Loans and receivables/ amortised cost \$'000	
2017					
Cash, balances and placements with central banks	3,391,951	–	595,632	15,972,624	19,960,207
Singapore Government treasury bills and securities	273,413	–	3,993,766	–	4,267,179
Other government treasury bills and securities	1,780,255	–	4,456,110	–	6,236,365
Trading securities	1,502,318	–	–	–	1,502,318
Placements and balances with banks	8,438,839	–	2,060,161	32,272,530	42,771,530
Loans to customers	3,401,517	–	–	177,119,044	180,520,561
Placements with and advances to subsidiaries	1,414,879	–	–	11,070,230	12,485,109
Derivative financial assets	4,283,098	–	–	–	4,283,098
Investment securities					
Debt	–	–	6,899,394	776,157	7,675,551
Equity	–	–	2,819,470	–	2,819,470
Other assets	904,041	–	1,270	1,605,429	2,510,740
Total financial assets	25,390,311	–	20,825,803	238,816,014	285,032,128
Non-financial assets					11,883,502
Total assets					296,915,630
Deposits and balances of banks, customers and subsidiaries	786,841	1,654,932	–	230,145,939	232,587,712
Bills and drafts payable	–	–	–	492,388	492,388
Derivative financial liabilities	4,042,662	–	–	–	4,042,662
Other liabilities	700,995	–	–	1,880,940	2,581,935
Debts issued	–	1,539,182	–	22,350,571	23,889,753
Total financial liabilities	5,530,498	3,194,114	–	254,869,838	263,594,450
Non-financial liabilities					809,507
Total liabilities					264,403,957

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 40.

(c) For the financial instruments designated as fair value through profit or loss, the amounts payable at maturity are as follows:

	The Group		The Bank	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Financial liabilities				
Deposits and balances of banks, customers and subsidiaries	1,826,013	1,905,376	1,826,013	1,696,373
Debts issued	1,760,211	1,638,341	1,760,211	1,638,341
	3,586,224	3,543,717	3,586,224	3,334,714

18. Fair Values of Financial Instruments

- (a) The valuation process adopted by the Group is governed by the valuation, market data, and reserve policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation processes incorporating the market rates, the methodologies and models, including the analysis of the valuation are regularly reviewed by Group Risk Management. Processes and controls are also subject to periodic reviews by internal auditors.

The valuation inputs are independently verified by checking against information from market sources. These are applicable to products or instruments with liquid markets or those traded on an exchange. Where market prices are not liquid, additional techniques will be used such as historical estimation or available proxies as additional reasonableness checks. Where products or instruments are complex, the Group utilises approved valuation models. All valuation models are independently validated by Group Risk Management.

Fair value for instruments classified as Level 2 use inputs such as yield curves, volatilities and market prices which are observable and of high reliability.

When unobservable inputs are used in the valuation models for Level 3 financial assets or liabilities, apart from utilising market proxies, other valuation techniques such as cash flow, profit and loss or net asset value in financial statements are used as a reasonableness check.

The valuation process is supplemented by valuation reserves to adjust for valuation uncertainties. Valuation reserve methodologies and adjustments are approved by the Group Asset and Liability Committee (ALCO).

The valuation adjustments or reserves set aside include bid/offer rate adjustments, illiquidity adjustments and other adjustments such as Day 1 profit reserves, where applicable. Adjustments are also considered for use of proxies, models or estimated parameters.

For financial instruments carried at amortised cost, their fair values are determined as follows:

- For cash, balances, placements and deposits of central banks, banks and subsidiaries, deposits of customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts;
- For loans and deposits of customers, non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes or using the discounted cash flow method; and
- For subordinated notes issued, fair values are determined based on quoted market prices.

Except for the following items, fair values of the financial instruments carried at amortised cost were assessed to be not materially different from their carrying amounts.

	The Group		The Bank	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
2018				
Debts issued	29,056,909	29,245,715	27,356,338	27,545,033
2017				
Debts issued	23,639,219	23,800,641	22,350,571	22,508,882

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18. Fair Values of Financial Instruments (continued)

(b) The Group classifies financial instruments carried at fair value by level following the fair value measurement hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical financial instruments
- Level 2 – Inputs other than quoted prices that are observable either directly or indirectly
- Level 3 – Inputs that are not based on observable market data

	The Group					
	2018			2017		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Cash, balances and placements with central banks	1,565,728	2,859,083	–	1,108,730	3,645,822	–
Singapore Government treasury bills and securities	5,614,577	–	–	4,267,179	–	–
Other government treasury bills and securities	11,868,425	1,310,244	–	11,708,818	–	–
Trading securities	949,712	108,921	869,887	1,024,956	127,825	613,182
Placements and balances with banks	–	17,617,392	–	–	12,424,142	–
Loans to customers	–	3,933,353	–	–	3,401,517	–
Derivative financial assets	43,931	5,453,668	232,458	82,897	5,603,423	94,595
Investment securities						
Debt	6,691,940	1,369,232	1,237,148	6,639,831	543,368	508,326
Equity	738,876	–	2,672,269	900,100	–	2,296,774
Other assets	1,549,386	217,176	–	961,563	70,403	–
	29,022,575	32,869,069	5,011,762	26,694,074	25,816,500	3,512,877
Total financial assets carried at fair value			66,903,406			56,023,451
Deposits and balances of banks and customers	–	2,874,575	–	–	2,681,921	–
Derivative financial liabilities	66,946	5,466,814	306,239	38,493	5,342,549	149,706
Other liabilities	149,542	698,248	–	103,489	636,160	–
Debts issued	–	1,548,703	–	–	1,539,182	–
	216,488	10,588,340	306,239	141,982	10,199,812	149,706
Total financial liabilities carried at fair value			11,111,067			10,491,500

18. Fair Values of Financial Instruments (continued)

(b) (continued)

	The Bank					
	2018			2017		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Cash, balances and placements with central banks	1,197,621	2,704,865	–	1,108,731	2,878,852	–
Singapore Government treasury bills and securities	5,609,110	–	–	4,267,179	–	–
Other government treasury bills and securities	5,228,170	418,043	–	6,236,365	–	–
Trading securities	868,612	108,921	817,277	908,311	127,825	466,182
Placements and balances with banks	–	15,057,847	–	–	10,499,000	–
Loans to customers	–	3,909,826	–	–	3,401,517	–
Placements with and advances to subsidiaries	–	679,514	–	487,948	926,931	–
Derivative financial assets	45,681	4,075,108	223,077	81,397	4,110,109	91,592
Investment securities						
Debt	5,675,901	1,328,289	1,234,887	5,890,688	509,765	498,941
Equity	629,478	–	2,034,192	778,572	–	2,040,898
Other assets	1,422,526	18,068	–	890,872	14,439	–
	20,677,099	28,300,481	4,309,433	20,650,063	22,468,438	3,097,613
Total financial assets carried at fair value			53,287,013			46,216,114
Deposits and balances of banks, customers and subsidiaries	–	2,797,204	–	–	2,441,773	–
Derivative financial liabilities	101,432	4,089,232	296,650	38,439	3,859,394	144,829
Other liabilities	149,576	533,790	–	103,498	597,497	–
Debts issued	–	1,548,703	–	–	1,539,182	–
	251,008	8,968,929	296,650	141,937	8,437,846	144,829
Total financial liabilities carried at fair value			9,516,587			8,724,612

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18. Fair Values of Financial Instruments (continued)

(c) The following table presents the changes in Level 3 instruments for the financial year ended:

	The Group							Unrealised gains or losses included in income statement
	Balance at 1 January	Income statement	Other comprehensive income	Purchases	Settlements	Transfer in/(out)	Balance at 31 December	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018								
Assets								
Trading securities	613,182	(57,009)	–	688,532	(375,796)	978 ⁽¹⁾	869,887	(17,237)
Derivative financial assets	94,595	137,863	–	–	–	–	232,458	137,863
Investment securities – debt	508,326	(50,868)	794	1,153,656	(302,457)	(72,303) ⁽²⁾	1,237,148	(1,246)
Investment securities – equity	2,296,774	24,047	(148,830)	504,992	(4,714)	–	2,672,269	24,047
Liabilities								
Derivative financial liabilities	149,706	156,533	–	–	–	–	306,239	156,533
2017								
Assets								
Trading securities	1,130,458	(56,782)	–	94,634	(555,128)	–	613,182	(56,782)
Derivative financial assets	157,298	(62,703)	–	–	–	–	94,595	(62,703)
Investment securities – debt	398,047	(9,332)	(3,474)	399,446	(276,361)	–	508,326	(8,250)
Investment securities – equity	2,085,858	9,803	188,910	98,836	(86,633)	–	2,296,774	–
Liabilities								
Derivative financial liabilities	152,620	(2,914)	–	–	–	–	149,706	(2,914)

(1) Trading securities were transferred to Level 3 during the year due to an increased contribution of unobservable input to their valuation.

(2) Investment securities were transferred from Level 3 during the year due to a decreased contribution of unobservable input to their valuation. Investment securities were also transferred out due to the impact from reclassification on the adoption of SFRS(I) 9.

18. Fair Values of Financial Instruments (continued)

(c) (continued)

	The Bank							Unrealised gains or losses included in income statement \$'000
	Fair value gains or losses			Purchases \$'000	Settlements \$'000	Transfer in/(out) \$'000	Balance at 31 December \$'000	
	Balance at 1 January \$'000	Income statement \$'000	Other comprehensive income \$'000					
2018								
Assets								
Trading securities	466,182	(16,866)	–	635,945	(268,962)	978 ⁽¹⁾	817,277	(17,259)
Derivative financial assets	91,592	131,485	–	–	–	–	223,077	131,485
Investment securities – debt	498,941	(50,715)	780	1,153,656	(300,957)	(66,818) ⁽²⁾	1,234,887	(1,246)
Investment securities – equity	2,040,898	(4,948)	(144,089)	147,240	(4,909)	–	2,034,192	(4,948)
Liabilities								
Derivative financial liabilities	144,829	151,821	–	–	–	–	296,650	151,821
2017								
Assets								
Trading securities	992,913	(70,660)	–	63,903	(519,974)	–	466,182	(70,660)
Derivative financial assets	142,668	(51,076)	–	–	–	–	91,592	(51,076)
Investment securities – debt	387,031	(9,282)	(3,491)	399,355	(274,672)	–	498,941	(8,250)
Investment securities – equity	1,877,240	8,511	166,955	12,115	(23,923)	–	2,040,898	–
Liabilities								
Derivative financial liabilities	139,963	4,866	–	–	–	–	144,829	4,866

(1) Trading securities were transferred to level 3 during the year due to an increased contribution of unobservable input to their valuation.

(2) Investment securities were transferred out due to the impact from reclassification on the adoption of SFRS(I) 9.

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18. Fair Values of Financial Instruments (continued)

(d) Effect of changes in significant unobservable inputs.

At 31 December 2018, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted equity investments and funds, unquoted debt securities, long dated equity derivatives and callable interest rate swaps, summarised as follows:

	2018 \$'000	2017 \$'000	Classification	Valuation technique	Unobservable inputs
Assets					
Trading securities – equity	–	147,000	FVPL	Net Asset Value	Net Asset Value
Trading securities – debt	869,887	466,182	FVPL	Discounted Cash Flow	Credit Spreads
Derivative financial assets	232,458	94,595	FVPL	Option Pricing Model	Volatilities and Correlations
Investment securities – debt	1,237,148	508,326	FVOCI	Discounted Cash Flow	Credit Spreads
Investment securities – equity	2,672,269	2,296,774	FVOCI/FVPL	Multiples and Net Asset Value	Net Asset Value, Earnings and Financial Ratio Multiples
Liabilities					
Derivative financial liabilities	306,239	149,706	FVPL	Option Pricing Model	Volatilities and Correlations

In estimating significance, the Group performed sensitivity analyses based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques.

The effect on fair value arising from reasonably possible changes to the significant unobservable input is assessed to be insignificant.

19. Deposits and Balances of Customers

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Fixed deposits	150,070,867	139,256,592	133,966,257	111,462,443	103,293,087	100,047,401
Savings deposits	71,601,457	66,404,307	61,951,429	56,975,841	53,867,194	49,587,318
Current accounts	58,857,769	57,569,988	51,689,604	49,368,454	49,405,626	43,856,680
Others	12,655,729	9,534,234	7,706,583	9,451,954	8,646,459	6,173,609
	293,185,822	272,765,121	255,313,873	227,258,692	215,212,366	199,665,008

20. Other Liabilities

(a)

	The Group			The Bank		
	31 Dec	31 Dec	1 Jan	31 Dec	31 Dec	1 Jan
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued interest payable	893,087	732,331	849,209	627,226	410,717	503,450
Accrued operating expenses	1,034,420	939,645	735,357	623,786	563,617	417,351
Sundry creditors	2,567,246	2,833,084	3,332,705	1,135,704	1,228,685	1,140,546
Others	640,795	705,214	748,388	542,474	602,507	528,821
ECL allowance	281,333	–	–	175,501	–	–
	5,416,881	5,210,274	5,665,659	3,104,691	2,805,526	2,590,168

(b) Movement of ECL allowance for other liabilities

	2018			
	Stage 1	Stage 2	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
The Group				
Balance at 1 January	163,220	33,837	106,533	303,590
Transfers between Stages	(6,195)	24,668	4,170	22,643
Net charge/(write-back) to income statement	38,777	(9,891)	(75,916)	(47,030)
Currency translation adjustments	1,366	(130)	894	2,130
Balance at 31 December	197,168	48,484	35,681	281,333
The Bank				
Balance at 1 January	107,616	41,715	93,054	242,385
Transfers between Stages	1,085	8,894	19,708	29,687
Net charge/(write-back) to income statement	6,447	(14,618)	(89,104)	(97,275)
Currency translation adjustments	25	(28)	707	704
Balance at 31 December	115,173	35,963	24,365	175,501

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21. Deferred Tax

(a) Deferred tax comprises the following:

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Deferred tax liabilities on:						
Unrealised gain on FVOCI/available-for-sale financial assets	78,425	88,390	71,110	59,269	65,626	57,832
Accelerated tax depreciation	163,325	129,744	116,405	154,514	120,310	105,427
Unrealised gain on financial instruments FVPL	50,111	38,934	129,455	–	–	2,520
Fair value of depreciable assets acquired in business combination	25,558	26,476	27,008	25,558	26,476	27,008
Others	4,056	4,136	1,160	3,581	5,425	707
	321,475	287,680	345,138	242,922	217,837	193,494
Amount offset against deferred tax assets	(42,562)	(109,696)	(113,230)	(36,580)	(103,734)	(104,280)
	278,913	177,984	231,908	206,342	114,103	89,214
Deferred tax assets on:						
Unrealised loss on FVOCI/available-for-sale financial assets	–	521	38	–	9	–
Allowance for impairment	139,939	140,021	136,133	73,392	103,961	101,623
Tax losses	149	5,109	12,583	–	–	6,412
Unrealised loss on financial instruments FVPL	53,739	23,288	124,723	–	81	89
Others	132,423	134,014	90,847	50,580	46,982	38,531
	326,250	302,953	364,324	123,972	151,033	146,655
Amount offset against deferred tax liabilities	(42,562)	(109,696)	(113,230)	(36,580)	(103,734)	(104,280)
	283,688	193,257	251,094	87,392	47,299	42,375
Net deferred tax assets/(liabilities)	4,775	15,273	19,186	(118,950)	(66,804)	(46,839)

(b) Movements in deferred tax during the financial year are as follows:

	The Group		The Bank	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at 1 January	15,273	19,186	(66,804)	(46,839)
Impact of adopting SFRS(I) 9 (Note 46)	(9,166)	–	(43,005)	–
Restated opening balance under SFRS(I) 9	6,107	19,186	(109,809)	(46,839)
Effect of change in tax rate	1,638	–	1,625	–
Currency translation adjustments	(2,955)	(1,420)	(1,758)	(1,897)
Credit/(charge) to income statement	(10,132)	16,473	(18,138)	(11,503)
(Charge)/credit to equity	10,117	(18,966)	9,130	(7,790)
Transfer from subsidiary upon merger	–	–	–	1,225
Balance at 31 December	4,775	15,273	(118,950)	(66,804)

The Group has not recognised deferred tax assets in respect of tax losses of \$21 million (2017: \$26 million) which can be carried forward to offset against future taxable income, subject to meeting certain statutory requirements of the relevant tax authorities. These tax losses have no expiry date except for an amount of \$0.2 million (2017: \$1 million) which will expire between the years 2019 and 2021 (2017: 2018 and 2020).

22. Debts Issued

(a)

	Note (b)	Issuance/ Maturity date	The Group			The Bank		
			31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Subordinated notes								
S\$1.2 billion 3.15% subordinated notes callable in 2017		11 Jul 2012/ 11 Jul 2022	–	–	1,196,879	–	–	1,196,879
US\$500 million 2.875% subordinated notes callable in 2017		17 Oct 2012/ 17 Oct 2022	–	–	720,764	–	–	720,764
US\$800 million 3.75% subordinated notes callable in 2019	(i)	19 Mar 2014/ 19 Sep 2024	1,082,413	1,064,364	1,161,421	1,082,413	1,064,364	1,161,421
S\$500 million 3.50% subordinated notes callable in 2020	(ii)	22 May 2014/ 22 May 2026	499,666	502,280	495,279	499,666	502,280	495,279
US\$700 million 3.50% subordinated notes callable in 2021	(iii)	16 Mar 2016/ 16 Sep 2026	926,064	914,057	992,514	926,064	914,057	992,514
HK\$700 million 3.19% subordinated notes callable in 2023	(iv)	26 Aug 2016/ 26 Aug 2028	115,952	113,947	120,824	115,952	113,947	120,824
US\$600 million 2.88% subordinated notes callable in 2022	(v)	8 Sep 2016/ 8 Mar 2027	798,958	791,437	857,906	798,958	791,437	857,906
S\$750 million 3.50% subordinated notes callable in 2024	(vi)	27 Feb 2017/ 27 Feb 2029	762,796	763,495	–	762,796	763,495	–
RM1 billion 4.65% subordinated notes callable in 2020	(vii)	8 May 2015/ 8 May 2025	329,916	330,162	323,652	–	–	–
RM600 million 4.80% subordinated notes callable in 2023	(viii)	25 Jul 2018/ 25 Jul 2028	197,744	–	–	–	–	–
THB6 billion 3.56% subordinated notes callable in 2022	(ix)	20 Sep 2017/ 20 Sep 2027	251,817	245,873	–	–	–	–
IDR433 billion 11.35% subordinated notes	(x)	28 May 2014/ 28 May 2021	40,569	42,355	46,138	–	–	–
IDR100 billion 9.40% subordinated notes	(xi)	25 Nov 2016/ 25 Nov 2023	9,273	9,673	10,579	–	–	–
IDR500 billion 9.25% subordinated notes	(xii)	17 Oct 2017/ 17 Oct 2024	46,995	49,148	–	–	–	–
Total			5,062,163	4,826,791	5,925,956	4,185,849	4,149,580	5,545,587
Of which, fair value hedge (gain)/loss			(42,551)	(21,316)	(34,239)	(43,238)	(22,207)	(35,459)

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22. Debts Issued (continued)

(a) (continued)

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Other debts issued						
Interest rate-linked notes	1,453,989	1,443,693	1,274,228	1,453,989	1,443,693	1,274,228
Equity-linked notes	125,757	329,328	392,874	125,757	329,328	392,874
Floating rate notes	3,130,689	1,376,269	675,137	3,130,689	1,376,269	675,137
Fixed rate notes	2,454,782	1,253,927	2,733,179	1,630,526	667,077	2,003,408
Commercial papers	13,974,080	13,673,527	14,363,726	13,974,080	13,673,527	14,363,726
Covered bonds	4,401,382	2,246,743	757,834	4,401,382	2,246,743	757,834
Others	2,769	28,123	20,015	2,769	3,536	1,850
Total	25,543,448	20,351,610	20,216,993	24,719,192	19,740,173	19,469,057
Of which, fair value hedge (gain)/loss	7,170	(10,097)	8,859	7,170	(10,097)	8,859
Total debts issued	30,605,611	25,178,401	26,142,949	28,905,041	23,889,753	25,014,644

(b) Subordinated Notes

- (i) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 19 September 2019, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.75% per annum up to but excluding 19 September 2019. From and including 19 September 2019, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Dollar Mid Swap Rate on 19 September 2019 plus 1.995%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.
- (ii) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 22 May 2020, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 22 May 2020. From and including 22 May 2020, the interest rate shall be reset to a fixed rate equal to the prevailing six-year Singapore Dollar SOR on 22 May 2020 plus 1.607%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.
- (iii) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 16 September 2021, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 16 September 2021. From and including 16 September 2021, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Dollar Mid Swap Rate on 16 September 2021 plus 2.236%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.
- (iv) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 26 August 2023, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable quarterly at a fixed rate of 3.19% per annum up to but excluding 26 August 2023. From and including 26 August 2023, the interest rate shall be reset to a fixed rate equal to the prevailing five-year Hong Kong Dollar Swap Rate plus 1.95%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

22. Debts Issued (continued)

(b) Subordinated Notes (continued)

- (v) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 8 March 2022, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 2.88% per annum up to but excluding 8 March 2022. From and including 8 March 2022, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Dollar Mid Swap Rate plus 1.654%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.
- (vi) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 27 February 2024, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 27 February 2024. From and including 27 February 2024, the interest rate shall be reset to a fixed rate equal to the prevailing five-year Singapore Dollar SOR plus 1.08%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.
- (vii) The RM1 billion 4.65% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd (UOBM). The notes are redeemable at par at the option of UOBM, in whole but not in part, on 8 May 2020 or at any interest payment date thereafter. Interest is payable semi-annually at 4.65% per annum.
- (viii) The RM600 million 4.80% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd (UOBM). The notes are redeemable at par at the option of UOBM, in whole but not in part, on 25 July 2023 or at any interest payment date thereafter. Interest is payable semi-annually at 4.80% per annum.
- (ix) The THB6 billion 3.56% subordinated notes were issued by United Overseas Bank (Thai) Public Company Limited (UOBT). The notes are redeemable at par at the option of UOBT, in whole but not in part, after 20 September 2022. Interest is payable semi-annually at a fixed rate of 3.56% per annum.
- (x) The IDR433 billion 11.35% subordinated notes were issued by PT Bank UOB Indonesia. Interest is payable quarterly at a fixed rate of 11.35% per annum.
- (xi) The IDR100 billion 9.40% subordinated notes were issued by PT Bank UOB Indonesia. Interest is payable quarterly at a fixed rate of 9.40% per annum.
- (xii) The IDR500 billion 9.25% subordinated notes were issued by PT Bank UOB Indonesia. Interest is payable quarterly at a fixed rate of 9.25% per annum.

(c) Other Debts Issued

- (i) The interest rate-linked notes, with embedded interest rate derivatives, were issued at par with maturities ranging from 19 July 2031 to 29 November 2047. The periodic payouts and redemptions of the notes are linked to the interest rate indices.
- (ii) The equity-linked notes, with embedded equity derivatives, were issued at par with maturities ranging from 2 January 2019 to 27 March 2020. The periodic payments and payouts of the notes at maturity are linked to the closing value of certain underlying equities or equity indices.
- (iii) The floating rate notes comprise mainly notes issued at par with maturities ranging from 11 March 2019 to 24 January 2022. Interest is payable quarterly at a floating rate.

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22. Debts Issued (continued)

(c) Other Debts Issued (continued)

- (iv) The fixed rate notes comprise mainly notes issued by the Bank with maturities ranging from 15 March 2019 to 25 July 2028. Interest is payable semi-annually and quarterly at a fixed rate as follows:

Currency notes	Interest rate
CNY	4.93% per annum
USD	2.50% to 3.2% per annum
IDR	6.15% to 9.6% per annum
THB	1.85% to 2.16% per annum

- (v) The commercial papers were issued by the Bank between 11 September 2018 and 11 December 2018 and mature between 7 January 2019 and 28 May 2019. Interest rates of the papers ranged from 2.79% to 2.91% per annum (2017: 1.34% to 1.82% per annum).

- (vi) As at 31 December 2018, there were six covered bonds outstanding comprising:

EUR500 million fixed rate covered bonds issued by the Bank on 9 March 2016 at 99.653 with maturity on 9 March 2021. Interest is payable annually at a fixed rate of 0.25% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 2 March 2017 at 99.498 with maturity on 2 March 2022. Interest is payable annually at a fixed rate of 0.125% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 16 January 2018 at 99.412 with maturity on 16 January 2025. Interest is payable annually at a fixed rate of 0.5% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 11 September 2018 at 99.52 with maturity on 11 September 2023. Interest is payable annually at a fixed rate of 0.25% per annum.

GBP350 million floating rate covered bonds issued by the Bank on 28 February 2018 at par value with maturity on 28 February 2023. Interest is payable quarterly at a 3-month Sterling Libor plus 0.24% per annum.

USD500 million fixed rate covered bonds issued by the Bank on 2 March 2017 at 99.734 with maturity on 2 March 2020. Interest is payable semi-annually at a fixed rate of 2.125% per annum.

- (vii) Others comprise credit-linked notes issued by the Bank.

22. Debts Issued (continued)

(d) Changes in Liabilities Arising from Financing Activities

	The Group				
	Balance at 1 January \$'000	Cash flows		Non-cash changes	Balance at 31 December \$'000
		Issuance \$'000	Redemption \$'000	Foreign exchange movement/ Others \$'000	
2018					
Total liabilities from financing activities					
Debt issued	25,178,401	40,410,836	(34,904,484)	(79,142)	30,605,611
2017					
Total liabilities from financing activities					
Debt issued	26,142,949	44,601,355	(45,066,986)	(498,917)	25,178,401

23. Cash, Balances and Placements with Central Banks

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
	Cash on hand	866,872	2,271,204	2,242,035	583,997	2,008,274
Non-restricted balances with central banks	18,750,241	18,704,078	16,158,785	16,263,420	14,174,001	10,700,771
Cash and cash equivalent	19,617,113	20,975,282	18,400,820	16,847,417	16,182,275	12,644,356
Restricted balances with central banks	5,648,500	5,649,687	5,921,295	3,942,137	3,777,932	3,928,475
ECL allowance	(13,116)	–	–	(7,044)	–	–
	25,252,497	26,624,969	24,322,115	20,782,510	19,960,207	16,572,831

24. Other Government Treasury Bills and Securities

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
	Other Government treasury bills and securities ⁽¹⁾	13,200,979	11,708,818	10,638,470	5,668,523	6,236,365
ECL allowance	(112)	–	–	(112)	–	–
	13,200,867	11,708,818	10,638,470	5,668,411	6,236,365	5,257,286

(1) Includes ECL allowance on other government treasury bills and securities at FVOCI of \$17 million at the Group and \$7 million at the Bank at 31 December 2018.

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25. Trading Securities

	The Group			The Bank		
	31 Dec	31 Dec	1 Jan	31 Dec	31 Dec	1 Jan
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Quoted securities						
Debt	1,103,653	1,448,149	863,204	1,022,553	1,331,504	850,604
Equity	253,165	34,223	7,724	253,165	34,223	7,724
Unquoted securities						
Debt	571,702	136,591	2,118,877	519,092	136,591	2,118,877
Equity	–	147,000	137,545	–	–	–
	1,928,520	1,765,963	3,127,350	1,794,810	1,502,318	2,977,205

26. Placement and Balances with Banks

	The Group			The Bank		
	31 Dec	31 Dec	1 Jan	31 Dec	31 Dec	1 Jan
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Placement and balances with Banks ⁽ⁱ⁾	50,866,221	52,181,025	40,032,875	39,858,524	42,771,530	33,730,816
ECL allowance	(66,708)	–	–	(46,367)	–	–
	50,799,513	52,181,025	40,032,875	39,812,157	42,771,530	33,730,816

(i) Includes ECL allowance on placement and balances with banks at FVOCI of \$2 million at the Group and \$1 million at the Bank at 31 December 2018.

27. Loans to Customers

(a)

	The Group			The Bank		
	31 Dec	31 Dec	1 Jan	31 Dec	31 Dec	1 Jan
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross loans to customers	261,706,522	236,027,805	225,661,673	203,620,887	183,121,406	175,406,818
Stage 1 and 2 ECL/ General allowance (Note 27d)	(1,570,896)	(1,961,033)	(2,709,455)	(707,998)	(1,107,149)	(1,873,436)
Stage 3 ECL/ Specific allowance (Note 27d)	(1,508,355)	(1,855,026)	(1,218,549)	(1,124,007)	(1,493,696)	(877,467)
Loans to customers	258,627,271	232,211,746	221,733,669	201,788,882	180,520,561	172,655,915
Comprising:						
Trade bills	4,145,811	2,943,461	2,684,036	1,957,733	909,271	949,079
Advances to customers	254,481,460	229,268,285	219,049,633	199,831,149	179,611,290	171,706,836
	258,627,271	232,211,746	221,733,669	201,788,882	180,520,561	172,655,915

27. Loans to Customers (continued)

(b) Gross Loans to Customers Analysed by Industry

	The Group			The Bank		
	31 Dec	31 Dec	1 Jan	31 Dec	31 Dec	1 Jan
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	10,185,518	9,387,882	9,780,593	8,600,268	8,033,896	8,355,588
Building and construction	63,139,036	53,646,496	52,280,920	56,753,824	47,706,847	46,215,499
Manufacturing	21,111,522	18,615,039	15,746,676	13,563,049	12,030,693	9,530,979
Financial institutions, investment and holding companies	23,199,404	19,089,930	15,518,601	19,600,068	16,144,357	12,719,024
General commerce	32,927,720	30,664,223	30,268,903	24,393,223	22,865,183	22,955,434
Professionals and private individuals	29,287,904	28,181,751	26,950,561	19,724,220	19,402,352	18,611,861
Housing loans	68,386,580	65,568,573	61,450,730	50,172,313	48,324,891	45,489,585
Others	13,468,838	10,873,911	13,664,689	10,813,922	8,613,187	11,528,848
	261,706,522	236,027,805	225,661,673	203,620,887	183,121,406	175,406,818

(c) Gross Loans to Customers Analysed by Currency

	The Group			The Bank		
	31 Dec	31 Dec	1 Jan	31 Dec	31 Dec	1 Jan
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	123,347,008	115,750,369	112,160,101	123,190,951	115,562,636	111,870,338
US Dollar	50,673,517	44,507,292	45,079,346	45,261,320	39,497,557	40,329,012
Malaysian Ringgit	25,327,965	23,999,510	22,992,853	–	–	–
Thai Baht	15,599,873	14,006,238	12,422,864	–	–	100
Indonesian Rupiah	5,287,539	4,852,534	5,401,006	–	–	–
Others	41,470,620	32,911,862	27,605,503	35,168,616	28,061,213	23,207,368
	261,706,522	236,027,805	225,661,673	203,620,887	183,121,406	175,406,818

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27. Loans to Customers (continued)

(d) Movement of ECL Allowance/Allowance for impairment on Loans

	2018			
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
The Group				
Balance at 1 January	1,048,832	519,278	1,855,026	3,423,136
New loans originated or purchased	857,713	–	–	857,713
Loans derecognised or repaid	(632,604)	(103,177)	(145,827)	(881,608)
Transfers to Stage 1	52,216	(154,762)	(3,020)	(105,566)
Transfers to Stage 2	(75,637)	279,589	(24,738)	179,214
Transfers to Stage 3	(1,339)	(141,851)	367,925	224,735
Charge/(write-back) for existing loans	(161,843)	90,387	322,995	251,539
Bad debts recovery	–	–	(141,277)	(141,277)
Net charge/(write-back) to income statement	38,506	(29,814)	376,058	384,750
Unwind of discounts	–	–	10,740	10,740
Net write-off	–	–	(758,440)	(758,440)
Currency translation adjustments	(2,715)	(3,191)	24,971	19,065
Balance at 31 December	1,084,623	486,273	1,508,355	3,079,251
The Bank				
Balance at 1 January	460,203	257,355	1,493,696	2,211,254
New loans originated or purchased	585,201	–	–	585,201
Loans derecognised or repaid	(482,731)	(51,025)	(114,416)	(648,172)
Transfers to Stage 1	24,772	(85,341)	(1,794)	(62,363)
Transfers to Stage 2	(35,608)	145,249	(8,452)	101,189
Transfers to Stage 3	(516)	(83,484)	186,617	102,617
Charge/(write-back) for existing loans	(92,950)	68,022	84,675	59,747
Bad debts recovery	–	–	(47,653)	(47,653)
Net charge/(write-back) to income statement	(1,832)	(6,579)	98,977	90,566
Unwind of discounts	–	–	(7,680)	(7,680)
Net write-off	–	–	(480,355)	(480,355)
Currency translation adjustments	(964)	(185)	19,369	18,220
Balance at 31 December	457,407	250,591	1,124,007	1,832,005

27. Loans to Customers (continued)

(d) Movement of ECL Allowance/Allowance for impairment on Loans (continued)

	2017			
	The Group		The Bank	
	Specific allowance \$'000	General allowance \$'000	Specific allowance \$'000	General allowance \$'000
Balance at 1 January	1,218,549	2,709,455	877,467	1,873,436
Currency translation adjustments	(65,420)	(1,099)	(58,322)	(1,616)
Net write-off	(699,905)	–	(399,100)	–
Bad debts recovery	(104,582)	–	(29,958)	–
Allowance/(write-back) for loans	1,511,530	(747,323)	1,107,023	(776,730)
Net charge/(write-back) to income statement (Note 11)	1,406,948	(747,323)	1,077,065	(776,730)
Transfer from subsidiary upon merger	–	–	275	12,059
Interest on impaired financial assets	(5,146)	–	(3,689)	–
Balance at 31 December	1,855,026	1,961,033	1,493,696	1,107,149

28. Financial Assets Transferred

The Group transfers financial assets to third parties in the ordinary course of business. Transferred assets where the Group retains substantially all the risks and rewards of the transferred assets continue to be recognised on the Group's balance sheet.

(a) Assets Pledged or Transferred

Assets transferred under repurchase agreements (repo) are conducted under terms and conditions that are usual market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them. Assets pledged or transferred are summarised in the table below:

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Singapore Government and central bank treasury bills and securities	137,835	634,394	137,835	634,394
Other government treasury bills and securities	1,020,793	855,735	961,358	855,735
Placements and balances with banks –				
negotiable certificates of deposit	458,317	609,007	458,317	609,007
Investment securities	927,312	136,922	927,312	136,922
	2,544,257	2,236,058	2,484,822	2,236,058

The amount of the associated liabilities approximates the carrying amount of the assets pledged.

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28. Financial Assets Transferred (continued)

- (b) Collateral Received
For reverse repurchase agreements (reverse repo) where the Group receives assets as collateral is as follows:

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Assets received for reverse repo transactions, at fair value	17,458,431	10,679,407	13,155,784	7,066,027
Of which, sold or repledged	589,139	253,370	589,139	253,370

- (c) Repo and Reverse Repo Transactions Subject to Netting Agreements
The Bank and the Group enter into global master repurchase agreements with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Bank and the Group to settle outstanding amounts with the counterparty on a net basis in the event of default. These agreements also allow the Bank and the Group to further reduce its credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when pre-established thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

The table below shows the Bank's and the Group's repo and reverse repo transactions that are not offset in the balance sheet but are subject to enforceable netting agreements:

	2018		2017	
	Reverse repo	Repo	Reverse repo	Repo
	\$'000	\$'000	\$'000	\$'000
The Group				
Carrying amount on the balance sheet subject to netting agreements ⁽¹⁾	17,175,471	2,999,858	12,345,665	2,419,238
Amount nettable ⁽²⁾	(364,705)	(364,705)	(390,684)	(390,684)
Financial collateral	(16,808,367)	(2,625,140)	(11,951,289)	(2,023,220)
Net amounts	2,399	10,013	3,692	5,334
The Bank				
Carrying amount on the balance sheet subject to netting agreements ⁽¹⁾	12,829,860	2,946,366	8,406,228	2,419,238
Amount nettable ⁽²⁾	(364,705)	(364,705)	(390,684)	(390,684)
Financial collateral	(12,462,809)	(2,571,648)	(8,011,852)	(2,023,220)
Net amounts	2,346	10,013	3,692	5,334

- (1) The carrying amount of reverse repo is presented under "Cash, balances and placements with central banks", "Placements and balances with banks", and "Loans to customers" while repo is under "Deposits and balances of Banks and Customers" on the balance sheet.
(2) Amount that could be netted under the netting agreements.

28. Financial Assets Transferred (continued)

(d) Covered Bonds

Pursuant to the Bank's US\$8 billion Global Covered Bond Programme, selected pools of residential mortgages that were originated by the Bank have been assigned to a bankruptcy-remote structured entity, Glacier Eighty Pte Ltd. These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2018, there were six covered bonds outstanding comprising four EUR fixed rate covered bonds, one US\$ fixed rate covered bond and one GBP floating rate covered bond, with assigned residential mortgages of approximately \$8,574 million (2017: \$5,020 million).

29. Investment Securities

(a)

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Quoted securities						
Debt ⁽¹⁾	7,553,296	6,282,646	6,750,255	7,226,049	6,030,317	6,465,576
Equity	738,876	940,326	806,416	629,479	806,697	694,609
Unquoted securities						
Debt ⁽²⁾	2,618,700	1,860,457	2,097,693	1,808,687	1,699,174	2,040,313
Equity	2,672,269	2,338,467	2,138,236	2,034,192	2,089,871	1,926,010
ECL allowance/Allowance for impairment	(30,038)	(149,016)	(152,911)	(30,038)	(131,038)	(134,882)
	13,553,103	11,272,880	11,639,689	11,668,369	10,495,021	10,991,626

(1) Includes ECL allowance on quoted debt securities at FVOCI of \$106 million at the Group and the Bank at 31 December 2018.

(2) Includes ECL allowance on unquoted debt securities at FVOCI of \$17 million at the Group and \$2 million at the Bank at 31 December 2018.

(b) Investment Securities Analysed by Industry

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Transport, storage and communication	1,450,095	1,112,781	1,458,574	1,340,715	1,078,547	1,449,116
Building and construction	513,563	777,804	293,386	476,758	731,508	242,979
Manufacturing	2,058,378	1,801,146	2,303,073	2,027,703	1,767,628	2,278,320
Financial institutions, investment and holding companies	4,654,301	4,103,951	4,032,807	3,057,358	3,556,008	3,586,759
General commerce	1,235,781	912,876	1,113,798	1,152,950	824,940	1,018,998
Others	3,640,985	2,564,322	2,438,051	3,612,885	2,536,390	2,415,454
	13,553,103	11,272,880	11,639,689	11,668,369	10,495,021	10,991,626

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29. Investment Securities (continued)

(c) Equity Investments Designated at FVOCI

At 31 December 2018 equity investments designated at FVOCI were \$2,349 million for the Group and \$2,101 million for the Bank. These investments comprise ordinary shares and are mainly held for yield enhancement or strategic purposes. In 2017, such investments were classified as available-for-sale.

In 2018, the related dividend income was \$22 million at the Group and \$19 million at the Bank.

During the year, \$41 million at the Group and \$8 million at the Bank of the equity investments were disposed of. Realised gains recognised within equity were \$1 million at the Group and \$0.5 million at the Bank.

30. Other Assets

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Interest receivable	1,095,853	905,835	813,092	772,167	635,513	549,905
Sundry debtors	1,614,190	2,111,397	3,059,350	540,455	906,649	1,783,845
Foreclosed properties	94,599	91,439	94,410	–	–	–
Others	1,865,889	1,227,112	2,353,750	1,563,740	1,019,457	2,042,804
ECL allowance/ Specific allowance	(23,725)	(3,682)	(3,746)	(6,160)	(21)	(22)
Allowance for impairment	(130,500)	(142,003)	(142,625)	(160)	(14,273)	(15,095)
	4,516,306	4,190,098	6,174,231	2,870,042	2,547,325	4,361,437

31. Investment in Associates and Joint Ventures

(a)

	The Group			The Bank		
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Material associates:						
UOB-Kay Hian Holdings Limited	565,525	548,068	534,882	66,889	66,889	66,889
Network for Electronic Transfers (Singapore) Pte Ltd	82,140	73,845	65,873	7,399	7,399	7,399
	647,665	621,913	600,755	74,288	74,288	74,288
Other associates/joint ventures	540,123	590,705	526,213	426,755	400,635	395,289
	1,187,788	1,212,618	1,126,968	501,043	474,923	469,577
Allowance for impairment (Note 33)	(18,180)	(18,178)	(18,043)	(137,938)	(136,938)	(136,938)
	1,169,608	1,194,440	1,108,925	363,105	337,985	332,639
Market value of quoted investments at 31 December	366,631	426,170	396,400	366,631	426,170	396,400

31. Investment in Associates and Joint Ventures (continued)

(a) (continued)

Name of associate	Principal activities	Country of incorporation	Effective equity interest of the Group	
			2018 %	2017 %
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	39	40
Unquoted				
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	33	33

(b) Aggregate information about the Group's investments in associates and joint ventures that were not individually material is as follows:

	The Group	
	2018 \$'000	2017 \$'000
Profit for the financial year	51,972	53,966
Other comprehensive income	(4,299)	(4,540)
Total comprehensive income	47,673	49,426

(c) The summarised financial information in respect of UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd, based on its financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements is as follows:

Summarised Statements of Comprehensive Income

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Operating income	367,398	362,975	269,336	220,337
Profit for the financial year	84,012	68,620	31,269	31,890
Other comprehensive income	5,657	(5,206)	(3,082)	779
Total comprehensive income	89,669	63,414	28,187	32,669

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31. Investment in Associates and Joint Ventures (continued)

(c) (continued)

Summarised Balance Sheets

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Current assets	3,277,254	3,953,564	444,875	401,068
Non-current assets	426,604	58,618	89,697	84,297
Total assets	3,703,858	4,012,182	534,572	485,365
Current liabilities	2,247,691	2,624,673	272,765	252,491
Non-current liabilities	1,196	843	15,386	11,340
Total liabilities	2,248,887	2,625,516	288,151	263,831
Net assets	1,454,971	1,386,666	246,421	221,534
Proportion of the Group's ownership	39%	40%	33%	33%
Group's share of net assets	565,533	548,076	82,140	73,845
Other adjustments	(8)	(8)	–	–
Carrying amount of the investment	565,525	548,068	82,140	73,845

Dividends of \$15 million (2017: \$11 million) and \$1 million (2017: \$3 million) were received from UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd respectively.

32. Investment in Subsidiaries

(a)

	The Bank		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Quoted investments	45,024	45,024	45,024
Unquoted investments	6,189,549	5,830,087	6,104,378
	6,234,573	5,875,111	6,149,402
Allowance for impairment (Note 33)	(220,360)	(131,381)	(363,696)
	6,014,213	5,743,730	5,785,706
Market value of quoted investments at 31 December	237,455	260,308	167,111

32. Investment in Subsidiaries (continued)

(b) Major subsidiaries of the Group as at the balance sheet date are as follows:

Name of subsidiary	Country of incorporation	Effective equity interest of the Group	
		2018 %	2017 %
Commercial Banking			
United Overseas Bank (Malaysia) Bhd	Malaysia	100	100
United Overseas Bank (Thai) Public Company Limited	Thailand	99.7	99.7
PT Bank UOB Indonesia	Indonesia	99	99
United Overseas Bank (China) Limited	China	100	100
United Overseas Bank (Vietnam) Limited	Vietnam	100	–
Financial Services			
United Overseas Insurance Limited	Singapore	58	58
UOB Bullion and Futures Limited	Singapore	100	100
Funding Vehicle			
UOB Australia Limited	Australia	100	100
Asset Management/Investment Management			
UOB Asset Management Ltd	Singapore	100	100
UOB Asset Management (Malaysia) Berhad	Malaysia	70	70
UOB Asset Management (Thailand) Co., Ltd.	Thailand	100	100
UOB Alternative Investment Management Pte Ltd	Singapore	100	100
UOB Capital Management Pte Ltd	Singapore	100	100
UOB Global Capital LLC ⁽¹⁾	United States	70	70
UOB Holdings (USA) Inc. ⁽²⁾	United States	100	100
UOB Venture Management (Shanghai) Co., Ltd ⁽¹⁾	China	100	100
UOB Venture Management Private Limited	Singapore	100	100
Property Investment Holding			
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100
PT UOB Property	Indonesia	100	100
UOB Property Investments China Pte Ltd	Singapore	100	100
UOB Property Investments Pte. Ltd.	Singapore	100	100
UOB Realty (USA) Ltd Partnership ⁽²⁾	United States	100	100
Others			
UOB International Investment Private Limited	Singapore	100	100
UOB Travel Planners Pte Ltd	Singapore	100	100

Notes:

Except as indicated, all subsidiaries incorporated in Singapore are audited by Ernst & Young LLP, Singapore and those incorporated overseas are audited by member firms of Ernst & Young Global Limited.

(1) Audited by other auditors.

(2) Not required to be audited.

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32. Investment in Subsidiaries (continued)

- (c) Interest in Subsidiaries with Material Non-Controlling Interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
2018					
United Overseas Insurance Limited	Singapore	42	9,973	157,504	6,998
2017					
United Overseas Insurance Limited	Singapore	42	13,708	157,116	4,326

- (d) Summarised Financial Information ⁽¹⁾ about United Overseas Insurance Limited

Summarised Statements of Comprehensive Income

	2018 \$'000	2017 \$'000
Operating income	42,072	54,166
Profit before tax	25,924	38,544
Tax	1,957	5,600
Profit for the financial year	23,967	32,944
Other comprehensive income	(5,578)	20,253
Total comprehensive income	18,389	53,197

Summarised Balance Sheets

	2018 \$'000	2017 \$'000
Total assets	609,978	646,756
Total liabilities	231,468	269,177
Net assets	378,510	377,579

Other Summarised Information

	2018 \$'000	2017 \$'000
Net cash flows from operations	7,556	21,939
Acquisition of property, plant and equipment	50	117

(1) Including goodwill on acquisition and consolidation adjustments but before intercompany eliminations.

32. Investment in Subsidiaries (continued)

- (e) Consolidated Structured Entities
The Group has established a US\$8 billion Global Covered Bond Programme to augment its funding programmes. Under the Programme, the Bank may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor (the CBG), Glacier Eighty Pte Ltd. The Covered Bonds issued under the Programme will be backed by a portfolio of Singapore residential mortgages transferred by the Bank to the CBG when certain conditions are met.
- (f) Interests in Unconsolidated Structured Entities
The Group had interests in certain investment funds where the Group was the fund manager and the investors had no or limited removal rights over the fund manager. These funds were primarily financed by the investors. The table below summarises the Group's involvement in the funds.

	The Group	
	2018 \$ million	2017 \$ million
Total assets of structured entities ⁽¹⁾	20,291	18,009
Maximum exposure to loss – Investment in funds	349	323
Fee income	171	142
Net gain from investment securities	65	70

(1) Based on the latest available financial reports of the structured entities.

33. Movement of Allowance for Impairment on Investment in Associates, Joint Ventures and Subsidiaries

	Investment in associates and joint ventures \$'000
The Group	
2018	
Balance at 1 January	18,178
Currency translation adjustments	2
Balance at 31 December	18,180
2017	
Balance at 1 January	18,043
Currency translation adjustments	135
Balance at 31 December	18,178

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33. Movement of Allowance for Impairment on Investment in Associates, Joint Ventures and Subsidiaries (continued)

	Investment in associates and joint ventures \$'000	Investment in subsidiaries \$'000
The Bank		
2018		
Balance at 1 January	136,938	131,381
Currency translation adjustments	–	3
Net charge to income statement	1,000	88,976
Balance at 31 December	137,938	220,360
2017		
Balance at 1 January	136,938	363,696
Currency translation adjustments	–	75,371
Write-off/disposal	–	(267,620)
Net charge/(write-back) to income statement	–	(40,066)
Transfer from subsidiary upon merger	153	–
Reclassification	(153)	–
Balance at 31 December	136,938	131,381

34. Investment Properties

	The Group		The Bank	
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Balance at 1 January	1,088,309	1,104,910	1,118,762	1,161,937
Currency translation adjustments	(4,688)	(5,421)	(929)	(358)
Additions	31,575	27,010	15,246	24
Transfer from subsidiary upon merger	–	–	–	4,648
Disposals	(4,568)	(1,294)	(4,568)	(1,294)
Depreciation charge	(21,585)	(23,104)	(15,837)	(16,065)
Transfers	(76,711)	(13,792)	(33,939)	(30,130)
Balance at 31 December	1,012,332	1,088,309	1,078,735	1,118,762
Represented by:				
Cost	1,336,509	1,406,615	1,338,523	1,373,236
Accumulated depreciation	(324,177)	(318,306)	(259,788)	(254,474)
Net carrying amount	1,012,332	1,088,309	1,078,735	1,118,762
Freehold property	320,493	400,238	689,005	720,187
Leasehold property	691,839	688,071	389,730	398,575
Balance at 31 December	1,012,332	1,088,309	1,078,735	1,118,762
Fair Value hierarchy				
Level 2	251,538	330,967	254,657	290,535
Level 3	3,018,655	3,094,032	2,456,102	2,393,361
Market Value	3,270,193	3,424,999	2,710,759	2,683,896

34. Investment Properties (continued)

The valuations of investment properties were performed by external and internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches.

Market values for properties under Level 2 of the fair value hierarchy are determined based on market comparison approach using comparable price transactions as significant observable inputs. Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

35. Fixed Assets

	2018			2017		
	Owner-occupied properties \$'000	Others \$'000	Total \$'000	Owner-occupied properties \$'000	Others \$'000	Total \$'000
The Group						
Balance at 1 January	914,447	1,056,398	1,970,845	931,528	953,355	1,884,883
Currency translation adjustments	(6,498)	(792)	(7,290)	(6,400)	(5,334)	(11,734)
Additions	12,600	472,291	484,891	11,722	310,661	322,383
Disposals	(51)	(7,832)	(7,883)	–	(1,735)	(1,735)
Depreciation charge	(22,970)	(228,297)	(251,267)	(34,618)	(200,549)	(235,167)
Allowance for impairment	(383)	–	(383)	(1,577)	–	(1,577)
Transfers	76,711	–	76,711	13,792	–	13,792
Balance at 31 December	973,856	1,291,768	2,265,624	914,447	1,056,398	1,970,845
Represented by:						
Cost	1,313,317	2,825,446	4,138,763	1,219,174	2,428,709	3,647,883
Accumulated depreciation	(337,238)	(1,533,678)	(1,870,916)	(302,890)	(1,372,311)	(1,675,201)
Allowance for impairment	(2,223)	–	(2,223)	(1,837)	–	(1,837)
Net carrying amount	973,856	1,291,768	2,265,624	914,447	1,056,398	1,970,845
Freehold property	505,481			450,594		
Leasehold property	468,375			463,853		
	973,856			914,447		
Fair Value hierarchy						
Level 2	537,335			494,007		
Level 3	2,980,640			2,763,241		
Market Value	3,517,975			3,257,248		

Notes to the Financial Statements

for the financial year ended 31 December 2018

35. Fixed Assets (continued)

	2018			2017		
	Owner-occupied properties \$'000	Others \$'000	Total \$'000	Owner-occupied properties \$'000	Others \$'000	Total \$'000
The Bank						
Balance at 1 January	695,967	721,355	1,417,322	675,921	634,286	1,310,207
Currency translation adjustments	(176)	(3,765)	(3,941)	(6)	(1,069)	(1,075)
Additions	42,563	373,208	415,771	4	221,182	221,186
Transfer from subsidiary upon merger	–	–	–	101	572	673
Disposals	(31)	(4,860)	(4,891)	–	(461)	(461)
Depreciation charge	(11,795)	(154,033)	(165,828)	(10,183)	(133,155)	(143,338)
Transfers	33,939	–	33,939	30,130	–	30,130
Balance at 31 December	760,467	931,905	1,692,372	695,967	721,355	1,417,322
Represented by:						
Cost	947,430	1,897,833	2,845,263	863,936	1,577,794	2,441,730
Accumulated depreciation	(186,963)	(965,928)	(1,152,891)	(167,969)	(856,439)	(1,024,408)
Net carrying amount	760,467	931,905	1,692,372	695,967	721,355	1,417,322
Freehold property	620,566			597,375		
Leasehold property	139,901			98,592		
	760,467			695,967		
Fair Value hierarchy						
Level 2	239,191			196,550		
Level 3	1,944,320			1,853,554		
Market Value	2,183,511			2,050,104		

The valuations of owner-occupied properties were performed by external and internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches.

Market values for properties under Level 2 of the fair value hierarchy are determined based on market comparison approach using comparable price transactions as significant observable inputs. Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

Fixed assets - others comprise mainly computer equipment, software and furniture and fittings.

36. Intangible Assets

(a)

	Goodwill			
	The Group		The Bank	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at 1 January	4,141,919	4,151,045	3,181,819	3,181,819
Currency translation adjustments	(3,527)	(9,126)	–	–
Balance at 31 December	4,138,392	4,141,919	3,181,819	3,181,819
Represented by:				
Cost	4,138,392	4,141,919	3,181,819	3,181,819
Accumulated impairment	–	–	–	–
Net carrying amount	4,138,392	4,141,919	3,181,819	3,181,819

- (b) Goodwill is allocated on the date of acquisition to the reportable operating segments expected to benefit from the synergies of business combination. The recoverable amount of the operating segments is based on their value in use, computed by discounting the expected future cash flows of the segments. The key assumptions in computing the value in use include the discount rates and growth rates applied. Discount rates are estimated based on current market assessments of time value of money and risks specific to the Group as a whole and to individual countries such as Thailand and Indonesia. The growth rates used do not exceed the historical long-term average growth rate of the major countries. Cash flow projections are based on the most recent five-year financial forecasts provided by key business segments and approved by management. These cash flows are derived based on the outlook of macroeconomic conditions from external sources, in particular, interest rates and foreign exchange rates, taking into account management's past experience on the impact of such changes to the cash flows of the Group. Long-term growth rate is imputed on fifth-year cash flow and then discounted to determine the terminal value. Key assumptions are as follows:

	Discount rate		Growth rate	
	2018	2017	2018	2017
Singapore	7.43	7.33	2.96	2.50
Thailand	9.76	8.65	3.32	2.95
Indonesia	9.38	9.46	5.39	5.46

Impairment is recognised in the income statement when the carrying amount of an operating segment exceeds its recoverable amount. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating segments to exceed their recoverable amount.

37. Contingent Liabilities

In the normal course of business, the Bank and the Group conduct businesses involving guarantees, performance bonds and indemnities. The bulk of these liabilities are backed by the corresponding obligations of the customers. No assets of the Bank and the Group were pledged as security for these contingent liabilities at the balance sheet date.

	The Group		The Bank	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Direct credit substitutes	4,454,846	6,555,412	3,131,955	2,979,908
Transaction-related contingencies	15,597,637	10,068,034	7,247,084	6,547,397
Trade-related contingencies	10,949,566	9,774,822	8,997,100	7,971,348
Others	1,282	17,175	1,282	1,082
	31,003,331	26,415,443	19,377,421	17,499,735

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38. Financial Derivatives

Financial derivatives, such as forwards, swaps, futures and options, are instruments whose values change in response to the change in prices of the underlying instruments.

In the normal course of business, the Bank and the Group transact in customised derivatives to meet specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes, as well as to manage their assets, liabilities and structural positions. Risks associated with the use of derivatives and policies for managing these risks are set out in Note 44.

- (a) The table below shows the Bank's and the Group's financial derivatives and their fair values at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

	31 Dec 2018			31 Dec 2017		
	Notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
The Group						
Foreign exchange contracts						
Forwards	52,807,960	399,713	592,106	57,089,144	1,692,362	1,585,292
Swaps	284,319,946	2,412,842	1,963,547	295,707,799	1,311,145	1,377,091
Options purchased	8,523,252	141,650	–	7,453,209	108,866	–
Options written	9,395,487	–	133,909	12,731,137	–	69,346
Interest rate contracts						
Forwards	1,362,750	388	275	–	–	–
Swaps	529,719,885	2,535,446	2,753,963	559,022,084	2,383,806	2,234,337
Futures	12,744,712	3,462	6,828	7,184,895	3,966	285
Options purchased	1,292,163	2,117	–	979,639	2,465	–
Options written	1,161,632	–	1,699	1,026,906	–	1,023
Equity-related contracts						
Swaps	997,881	10,503	86,119	659,941	5,451	7,029
Futures	361	7	18	–	–	–
Options purchased	5,095,891	67,948	–	4,998,588	67,363	–
Options written	6,276,840	–	63,791	5,983,383	–	72,079
Credit-related contracts						
Swaps	1,489,848	42,650	6,313	2,013,033	32,550	9,127
Others						
Forwards	627,909	12,146	9,780	101,811	249	40
Swaps	4,262,351	60,161	161,858	5,111,805	91,781	136,650
Futures	1,973,334	38,922	59,590	1,604,518	78,780	38,190
Options purchased	85,331	2,102	–	95,476	2,131	–
Options written	32,151	–	203	117,020	–	259
	922,169,684	5,730,057	5,839,999	961,880,388	5,780,915	5,530,748

38. Financial Derivatives (continued)

(a) (continued)

	31 Dec 2018			31 Dec 2017		
	Notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
The Bank						
Foreign exchange contracts						
Forwards	47,426,901	309,052	503,839	45,886,801	476,966	357,813
Swaps	181,215,179	1,383,546	958,433	177,004,517	1,209,692	1,247,648
Options purchased	5,808,055	103,889	–	4,789,311	100,535	–
Options written	6,230,666	–	101,452	4,738,057	–	92,019
Interest rate contracts						
Forwards	1,362,750	388	275	–	–	–
Swaps	479,296,929	2,344,275	2,572,082	526,959,865	2,219,569	2,097,392
Futures	11,475,950	3,462	5,852	6,873,526	3,912	285
Options purchased	1,292,163	2,117	–	979,639	2,465	–
Options written	1,127,427	–	1,699	1,026,906	–	1,023
Equity-related contracts						
Swaps	915,100	1,080	76,606	635,849	4,707	5,548
Futures	361	7	18	–	–	–
Options purchased	5,090,893	67,990	–	4,986,543	67,391	–
Options written	6,318,052	–	62,152	6,007,061	–	71,014
Credit-related contracts						
Swaps	1,489,848	42,650	6,313	2,013,033	32,550	9,127
Others						
Forwards	256,805	1,144	1,136	26,648	42	53
Swaps	3,863,756	47,333	142,022	4,541,727	86,029	120,701
Futures	1,533,296	34,831	53,668	1,402,426	77,335	38,135
Options purchased	85,331	2,102	–	56,095	1,905	–
Options written	32,508	–	1,767	73,912	–	1,904
	754,821,970	4,343,866	4,487,314	788,001,916	4,283,098	4,042,662

Notes to the Financial Statements

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38. Financial Derivatives (continued)

(a) (continued)

	1 Jan 2017					
	The Group			The Bank		
	Notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
Foreign exchange contracts						
Forwards	48,811,188	984,186	1,038,627	44,415,096	544,775	631,013
Swaps	186,619,939	2,387,083	1,971,593	145,370,380	2,297,201	1,850,786
Options purchased	10,534,271	182,131	–	7,643,433	163,881	–
Options written	13,122,827	–	224,038	8,905,657	–	147,561
Interest rate contracts						
Swaps	533,198,638	2,977,150	3,225,694	498,163,783	2,755,677	2,980,221
Futures	1,267,163	1,154	2,903	985,109	1,074	2,898
Options purchased	695,377	4,987	–	695,377	4,987	–
Options written	752,119	–	4,923	752,119	–	4,923
Equity-related contracts						
Swaps	512,863	17,875	16,747	445,659	4,001	3,719
Options purchased	5,130,036	139,445	–	5,103,435	138,690	–
Options written	5,932,079	–	135,892	5,904,768	–	136,263
Credit-related contracts						
Swaps	1,187,594	31,416	13,881	1,187,594	31,416	13,881
Others						
Forwards	889,816	7,634	7,262	581,694	6,906	6,816
Swaps	3,612,048	172,938	109,615	3,389,082	161,244	97,376
Futures	2,262,598	74,777	85,748	2,024,052	74,499	85,417
Options purchased	85,735	770	–	46,647	228	–
Options written	35,500	–	185	3,257	–	185
	814,649,791	6,981,546	6,837,108	725,617,142	6,184,579	5,961,059

38. Financial Derivatives (continued)

(b) Financial Derivatives Subject to Netting Agreements

The Bank and the Group enter into derivative master netting agreements (such as the International Swaps and Derivatives Association Master Agreement) with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Bank and the Group to settle outstanding derivative contracts' amounts with the counterparty on a net basis in the event of default. These agreements also allow the Bank and the Group to further reduce its credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when pre-established thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

The table below shows the Bank's and the Group's financial derivatives that are not offset in the balance sheet but are subject to enforceable netting agreements.

	31 Dec 2018		31 Dec 2017	
	Positive fair value \$'000	Negative fair value \$'000	Positive fair value \$'000	Negative fair value \$'000
The Group				
Carrying amount on the balance sheet	5,730,057	5,839,999	5,780,915	5,530,748
Amount not subject to netting agreements	(689,217)	(527,706)	(1,169,520)	(623,810)
Amount subject to netting agreements	5,040,840	5,312,293	4,611,395	4,906,938
Amount nettable ⁽¹⁾	(4,025,518)	(4,025,518)	(3,991,294)	(3,991,294)
Financial collateral	(258,403)	(759,935)	(303,384)	(436,825)
Net amounts	756,919	526,840	316,717	478,819
The Bank				
Carrying amount on the balance sheet	4,343,866	4,487,314	4,283,098	4,042,662
Amount not subject to netting agreements	(671,026)	(503,873)	(1,145,318)	(575,768)
Amount subject to netting agreements	3,672,840	3,983,441	3,137,780	3,466,894
Amount nettable ⁽¹⁾	(2,873,801)	(2,873,801)	(2,808,404)	(2,808,404)
Financial collateral	(202,889)	(646,239)	(202,104)	(279,790)
Net amounts	596,150	463,401	127,272	378,700
1 Jan 2017				
	The Group		The Bank	
	Positive fair value \$'000	Negative fair value \$'000	Positive fair value \$'000	Negative fair value \$'000
Carrying amount on the balance sheet	6,981,546	6,837,108	6,184,579	5,961,059
Amount not subject to netting agreements	(404,179)	(406,328)	(262,437)	(278,085)
Amount subject to netting agreements	6,577,367	6,430,780	5,922,142	5,682,974
Amount nettable ⁽¹⁾	(4,286,387)	(4,286,387)	(4,169,592)	(4,169,592)
Financial collateral	(393,919)	(968,620)	(358,285)	(660,376)
Net amounts	1,897,061	1,175,773	1,394,265	853,006

(1) Amount that could be netted under the netting agreements.

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39. Commitments

(a)

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Undrawn credit facilities	146,008,467	130,346,862	119,286,137	108,400,882
Spot/forward contracts	1,034,463	2,070,200	1,053,388	2,182,292
Capital commitments	442,452	264,419	152,962	126,929
Operating lease commitments	224,620	214,612	163,612	150,296
Others	3,783,994	3,767,667	3,158,997	3,306,134
	151,493,996	136,663,760	123,815,096	114,166,533

(b) Operating Lease Commitments

The Group leases out investment properties typically on three-year leases based on market rental rates. These leases contain options to renew at prevailing market rates.

The aggregate minimum lease payments under non-cancellable operating leases at the balance sheet date are as follows:

	The Group		The Bank	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Minimum lease payable				
Within 1 year	99,004	94,442	71,526	61,509
Over 1 to 5 years	121,853	116,501	89,136	86,141
Over 5 years	3,763	3,669	2,950	2,646
	224,620	214,612	163,612	150,296
Minimum lease receivable				
Within 1 year	87,408	95,065	74,301	80,481
Over 1 to 5 years	122,194	151,938	97,553	126,585
Over 5 years	2,753	2,292	2,162	364
	212,355	249,295	174,016	207,430

40. Hedge Accounting

- (a) The impact of the hedging instrument and hedged item on the statement of financial position as at 31 December 2018 is as follows:

	Notional amount \$ million	Carrying amount of assets/ (liabilities) \$ million	Line item in the financial statement	Changes in fair value	
				Hedging instrument \$ million	Hedged item \$ million
The Group					
Fair value hedge					
Interest rate risk	13,528	54	Derivative financial instrument	(33)	33
– Interest rate swaps to hedge certain loans, deposits, debt investments and debts issued					
Foreign exchange risk	–	(67)	Customer deposits	1	(1)
– Customer deposits to hedge certain equity securities at FVOCI					
Net investment hedge					
Foreign exchange risk	–	(3,294)	Customer deposits	4	(4)
– Customer deposits to hedge net investments in foreign operations					
The Bank					
Fair value hedge					
Interest rate risk	13,165	54	Derivative financial instrument	(33)	33
– Interest rate swaps to hedge certain loans, deposits, debt investments and debts issued					
Foreign exchange risk	–	(67)	Customer deposits	1	(1)
– Customer deposits to hedge certain equity securities at FVOCI					
Net investment hedge					
Foreign exchange risk	–	(2,616)	Customer deposits	17	(17)
– Customer deposits to hedge net investments in foreign operations					

The ineffectiveness arising from these hedges was insignificant.

Notes to the Financial Statements

for the financial year ended 31 December 2018

40. Hedge Accounting (continued)

- (b) The impact of the hedging instrument and hedged item on the statement of financial position as at 31 December 2017 is as follows:

Fair value hedges

Interest rate swaps were contracted to hedge certain of the Group's loans, debt investments and debts issued against interest rate risk. As at 31 December 2017, the cumulative net fair value of the swaps was a loss of \$18 million at the Bank and a loss of \$18 million at the Group. During the financial year 2017, fair value losses of \$24 million and fair value losses of \$23 million on the swaps were recognised in the Bank's and the Group's income statements respectively.

As at 31 December 2017, customer deposits of \$381 million were designated to hedge the foreign exchange risk arising from certain of the Bank's available-for-sale equity securities. During the financial year 2017, foreign exchange gains of \$29 million on the deposits were recognised in the Bank's and the Group's income statements respectively. These were offset by equal amounts of foreign exchange loss on the hedged items.

The ineffectiveness arising from these hedges was insignificant.

Hedges of net investment in foreign operations

As at 31 December 2017, customer deposits of \$2,399 million were designated to hedge foreign exchange risk arising from the Group's foreign operations. During the financial year 2017, no foreign exchange gain or loss arising from hedge ineffectiveness was recognised in the Group's income statements.

41. Share-Based Compensation Plans

Share-based compensation plans of the Group comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan.

Share Appreciation Rights (SAR) are rights, which upon exercise, confer the right to receive such number of UOB shares (or by exception, cash) equivalent to the difference between the prevailing market value and the grant value of the underlying UOB shares comprised in the SAR, divided by the prevailing market value of a UOB share. The grant value is determined with reference to the average of the closing prices of UOB shares over the three days preceding the grant date. Upon vesting of SAR, participants have up to six years from the date of grant to exercise their rights.

Restricted Shares (RS) represent UOB shares that are restricted by time and performance conditions as to when they vest. Upon vesting, participants will receive UOB shares represented by the RS.

For RS grants made in the years 2015 to 2016, 30 per cent of the award granted will vest after two years, subject to the achievement of the two-year Average Return on Equity (ROE) targets. The remaining 70 per cent will vest after three years, subject to the achievement of three-year Average ROE targets. The vesting levels are shown below:

Percentage of ROE target achieved	Percentage* of award to be vested for grants made in 2015 to 2016
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the RHCC

* For intermediate ROE level achieved, the percentage of award to be vested will be interpolated.

41. Share-Based Compensation Plans (continued)

In 2017, the Bank reviewed and revised the performance conditions of the RS Plan. For grants made from and after 2017, the vesting of the first and second tranches of RS will be determined by the performance of the Group's two-year and three-year Average ROE against the corresponding two-year and three-year Average Cost of Equity (COE) hurdle respectively.

For each vesting tranche of the award, 100 per cent of the tranche will vest if the Average ROE is equal to or above the corresponding Average COE. If the Average ROE is below the corresponding Average COE, the percentage of each tranche of award to be vested will be determined at the sole discretion of the Remuneration and Human Capital Committee (RHCC).

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the RHCC.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the RS Plan shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plan only allows the delivery of UOB ordinary shares held in treasury by the Bank.

Movements and outstanding balances of these plans are as follows:

UOB Restricted Share Plan and UOB Share Appreciation Rights Plan

	The Group Restricted shares	
	2018 '000	2017 '000
Balance at 1 January	6,135	5,808
Granted	2,091	2,327
Forfeited/cancelled	(475)	(491)
Vested	(1,696)	(1,509)
Balance at 31 December	6,055	6,135

	SAR Exercisable rights			
	2018		2017	
	Number of rights '000	Weighted average exercise price (\$)	Number of rights '000	Weighted average exercise price (\$)
Balance at 1 January	1,836	20.15	6,516	19.36
Forfeited/lapsed	–	–	(24)	18.13
Exercised	(1,031)	19.93	(4,656)	19.06
Balance at 31 December	805	20.43	1,836	20.15

At 31 December 2018, the remaining contractual life of outstanding exercisable SAR was 0.95 year (2017: 1.7 years) and the exercise price was determined at \$20.43. The total intrinsic value of the outstanding exercisable SAR was \$3.3 million (2017: \$11.6 million).

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41. Share-Based Compensation Plans (continued)

Year granted	Expiry date	Fair value per grant at grant date \$	Number of outstanding grants	
			2018 '000	2017 '000
Restricted shares				
2015	4 May 2017 and 4 May 2018	22.57 and 18.83	–	1,243
2016	3 May 2018 and 3 May 2019	17.06 and 17.24	1,799	2,626
2017	11 May 2019 and 11 May 2020	21.50 and 23.00	2,205	2,266
2018	24 Apr 2020 and 24 Apr 2021	27.03 and 22.95	2,051	–
			6,055	6,135

Fair values of the RS were estimated at the grant date using the Trinomial valuation methodology. Since 2014, no SAR has been granted as an instrument for share-based compensation. The key assumptions of the RS are as follows:

Year granted	Restricted shares			
	2018		2017	
	1 st grant	2 nd grant	1 st grant	2 nd grant
Exercise price (\$)	Not applicable		Not applicable	
Expected volatility (%) ⁽¹⁾	16.40	16.82	16.92	16.61
Risk-free interest rate (%)	1.88 – 2.02	2.05 – 2.14	1.22 – 1.33	1.65 – 1.75
Contractual life (years)	2 and 3	2 and 3	2 and 3	2 and 3
Expected dividend yield (%)	Management's forecast in line with dividend objective			

(1) Based on the past three years' historical volatility.

42. Related Party Transactions

Related parties cover the Group's subsidiaries, associates, joint ventures and their subsidiaries, and key management personnel and their related parties.

Key management personnel refers to the Bank's directors and members of its Management Executive Committee.

All related party transactions of the Group were done in the ordinary course of business and at arm's length. In addition to the information disclosed elsewhere in the financial statements, other related party transactions that may be of interest are as follows:

(a)

	The Group		The Bank	
	2018 \$ million	2017 \$ million	2018 \$ million	2017 \$ million
Interest income				
Subsidiaries	–	–	316	199
Associates and joint ventures	15	8	15	8
Interest expense				
Subsidiaries	–	–	189	133
Associates and joint ventures	12	6	9	5
Dividend income				
Subsidiaries	–	–	212	137
Associates and joint ventures	–	–	18	16
Rental income				
Subsidiaries	–	–	4	4
Rental and other expenses				
Subsidiaries	–	–	111	108
Associates and joint ventures	17	14	13	12
Fee and commission and other income				
Subsidiaries	–	–	145	149
Associates and joint ventures	7	6	3	4
Placements, securities, loans and advances				
Subsidiaries	–	–	16,363	12,877
Associates and joint ventures	782	524	781	524
Deposits				
Subsidiaries	–	–	13,562	6,505
Associates and joint ventures	1,376	1,273	1,244	1,187
Off-balance sheet credit facilities⁽¹⁾				
Subsidiaries	–	–	251	286
Associates and joint ventures	2	11	1	11

(1) Includes guarantees issued by the Group of \$1 million (2017: \$11 million) and the Bank of \$221 million (2017: \$241 million).

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42. Related Party Transactions (continued)

(b)

	The Group		The Bank	
	2018 \$ million	2017 \$ million	2018 \$ million	2017 \$ million
Compensation of key management personnel				
Short-term employee benefits	20	16	20	16
Long-term employee benefits	2	3	2	3
Share-based payment	8	7	8	7
Others	*	*	*	*
	30	26	30	26

* Less than \$500,000.

43. Segment Information

(a) Operating Segments

Segmental reporting is prepared based on the Group's internal organisational structure. The Banking Group is organised into three major business segments – Group Retail, Group Wholesale Banking and Global Markets. Others segment 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.

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.

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.

Others

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

43. Segment Information (continued)

(a) Operating Segments (continued)

Selected Income Statement Items

	The Group				Total \$ million
	GR \$ million	GWB \$ million	GM \$ million	Others \$ million	
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)
Allowance 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 year					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)
Allowance 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 year					3,407
Other information					
Capital expenditure	43	25	9	272	349
Depreciation of assets	22	11	7	218	258

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43. Segment Information (continued)

(a) Operating Segments (continued)
Selected Balance Sheet Items

	The Group				
	GR \$ million	GWB \$ million	GM \$ million	Others \$ million	Total \$ million
2018					
Segment assets	108,115	184,530	55,657	34,482	382,784
Intangible assets – goodwill	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
2017					
Segment assets	103,806	161,230	59,035	29,185	353,256
Intangible assets – goodwill	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. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
2. Segment comparative information for prior year has been adjusted for changes in organisation structure and management reporting methodology.

43. Segment Information (continued)

(b) Geographical Segments

The following geographical segment information is based on the location where the transactions and assets are booked, which approximates that based on the location of the customers and assets. The information is stated after elimination of inter-segment transactions.

	The Group						Total \$ million
	Singapore \$ million	Malaysia \$ million	Thailand \$ million	Indonesia \$ million	Greater China \$ million	Others \$ million	
2018							
Net interest income	3,552	738	708	318	421	483	6,220
Non-interest income	1,571	330	256	126	443	170	2,896
Operating income	5,123	1,068	964	444	864	653	9,116
Operating expenses	(2,189)	(407)	(571)	(312)	(382)	(142)	(4,003)
Allowance for credit and other losses	(83)	(61)	(111)	(55)	(68)	(15)	(393)
Share of profit of associates and joint ventures	66	–	–	–	29	11	106
Profit before tax	2,917	600	282	77	443	507	4,826
Total assets before intangible assets	228,478	40,620	21,946	9,256	55,021	28,633	383,954
Intangible assets	3,182	–	725	231	–	–	4,138
Total assets	231,660	40,620	22,671	9,487	55,021	28,633	388,092
2017							
Net interest income	3,065	683	634	339	397	410	5,528
Non-interest income	1,848	302	237	122	354	172	3,035
Operating income	4,913	985	871	461	751	582	8,563
Operating expenses	(2,079)	(365)	(521)	(305)	(342)	(127)	(3,739)
Allowance for credit and other losses	(392)	(39)	(132)	(127)	(28)	(9)	(727)
Share of profit of associates and joint ventures	49	–	–	–	38	23	110
Profit before tax	2,491	581	218	29	419	469	4,207
Total assets before intangible assets	217,979	35,373	20,988	9,105	46,298	24,707	354,450
Intangible assets	3,182	–	724	236	–	–	4,142
Total assets	221,161	35,373	21,712	9,341	46,298	24,707	358,592

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44. Financial Risk Management

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk, equity risk, commodity risk and liquidity risk.

The Group's financial risks are centrally managed by the various specialist committees within the authority delegated by the Board of Directors. These various specialist committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Group Board Risk Management Committee (BRMC).

The Group Risk Management Sector assumes the independent oversight of risks undertaken by the Group, and takes the lead in the formulation and approval of risk policies, controls and processes. The Group Market Risk and Product Control within the Group Risk Management Sector monitor Global Markets and Investment Management's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by Group Audit.

The main financial risks that the Group is exposed to and how they are managed is set out below:

- (a) **Credit risk**
Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations are fall due.

The Group Credit Committee supports the CEO and BRMC in managing the Group's overall credit risk exposures. It serves as an executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and system.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition past due amounts and credit limit excesses are tracked and analysed by business and product lines.

Country risk is the risk of loss due to specific events in a country that the Group has exposure to. These events include political and economic events, social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, and currency depreciation or devaluation.

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(i) Credit Exposure

The Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements, is shown in the table below:

	The Group			
	Average ⁽¹⁾	Average ⁽¹⁾	2018	2017
	2018	2017	2018	2017
	\$ million	\$ million	\$ million	\$ million
Balances and placements with central banks	25,536	25,458	24,386	24,354
Singapore Government treasury bills and securities	5,648	4,649	5,615	4,267
Other government treasury bills and securities	11,971	10,606	13,201	11,709
Trading debt securities	1,847	1,752	1,675	1,585
Placements and balances with banks	53,340	47,509	50,800	52,181
Loans to customers	248,555	227,795	258,627	232,212
Derivative financial assets	6,628	5,528	5,730	5,781
Investment debt securities	8,969	8,366	10,142	8,076
Others	2,755	3,179	2,710	3,017
	365,249	334,842	372,886	343,182
Contingent liabilities	30,529	25,112	31,002	26,398
Commitments (excluding operating lease and capital commitments)	142,831	135,702	150,827	136,185
	538,609	495,656	554,715	505,765

(1) Average balances are computed based on quarter-end exposure.

As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. Our collaterals are mostly properties while other types of collateral taken by the Group include cash, marketable securities, equipment, inventories and receivables. We have in place policies and processes to monitor collateral concentration.

In extending credit facilities to small- and medium-enterprises, personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

Corporate guarantees are often obtained when the borrower's creditworthiness is not sufficient to justify an extension of credit.

Exposures arising from foreign exchange, derivatives and securities financing transactions are typically mitigated through agreements such as the International Swaps and Derivatives Association Master Agreements, the Credit Support Annex and the Global Master Repurchase Agreements. Such agreements help to minimise credit exposure by allowing the Bank to offset what is owed to a counterparty against what is due from that counterparty in the event of a default.

In addition, derivative transactions are cleared through Central Counterparties, where possible, to reduce counterparty credit exposure further through multilateral netting and the daily margining processes.

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44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) Major On-Balance Sheet Credit Exposures

The exposures are determined based on country of incorporation/operation for non-individuals and residence for individuals.

	The Group				Total \$ million
	Gross loans to customers \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	
Analysed by geography					
2018					
Singapore	137,176	5,614	998	1,519	145,307
Malaysia	29,315	2,683	6,124	1,337	39,459
Thailand	16,813	2,945	2,608	47	22,413
Indonesia	11,289	1,225	2,269	4	14,787
Greater China	40,081	3,113	24,237	2,224	69,655
Others	27,033	3,235	14,564	6,686	51,518
Total	261,707	18,815	50,800	11,817	343,139
2017					
Singapore	127,602	4,267	1,559	1,579	135,007
Malaysia	26,948	1,781	4,901	1,233	34,863
Thailand	14,977	2,504	3,495	49	21,025
Indonesia	10,718	853	1,728	33	13,332
Greater China	32,301	2,814	25,439	1,293	61,847
Others	23,482	3,757	15,059	5,474	47,772
Total	236,028	15,976	52,181	9,661	313,846

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) (continued)

	The Group				Total \$ million
	Gross loans to customers \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	
Analysed by industry					
2018					
Transport, storage and communication	10,185	–	–	1,411	11,596
Building and construction	63,139	–	–	197	63,336
Manufacturing	21,112	–	–	2,091	23,203
Financial institutions, investment and holding companies	23,199	–	50,800	3,917	77,916
General commerce	32,928	–	–	1,173	34,101
Professionals and private individuals	29,288	–	–	–	29,288
Housing loans	68,387	–	–	–	68,387
Government	–	18,815	–	–	18,815
Others	13,469	–	–	3,028	16,497
Total	261,707	18,815	50,800	11,817	343,139
2017					
Transport, storage and communication	9,388	–	–	1,154	10,542
Building and construction	53,646	–	–	265	53,911
Manufacturing	18,615	–	–	1,825	20,440
Financial institutions, investment and holding companies	19,090	–	52,181	2,587	73,858
General commerce	30,664	–	–	855	31,519
Professionals and private individuals	28,182	–	–	–	28,182
Housing loans	65,569	–	–	–	65,569
Government	–	15,976	–	–	15,976
Others	10,874	–	–	2,975	13,849
Total	236,028	15,976	52,181	9,661	313,846

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44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iii) Major Off-Balance Sheet Credit Exposures

The exposures are determined based on country of incorporation/operation for non-individuals and residence for individuals.

	The Group			
	2018		2017	
	Contingent liabilities \$ million	Commitments ⁽¹⁾ \$ million	Contingent liabilities \$ million	Commitments ⁽¹⁾ \$ million
Analysed by geography				
Singapore	16,164	78,416	12,917	72,176
Malaysia	2,851	13,588	2,825	12,734
Thailand	1,627	11,753	1,404	11,066
Indonesia	1,095	5,818	909	5,232
Greater China	4,008	25,212	3,476	20,140
Others	5,257	16,040	4,867	14,837
Total	31,002	150,827	26,398	136,185
Analysed by industry				
Transport, storage and communication	1,386	5,719	1,275	5,891
Building and construction	7,673	26,989	6,925	23,046
Manufacturing	2,717	20,486	2,446	17,791
Financial institutions, investment and holding companies	8,623	18,371	5,873	14,337
General commerce	8,636	43,308	8,428	37,601
Professionals and private individuals	166	22,360	168	21,495
Housing loans	–	3,500	–	3,677
Others	1,801	10,094	1,283	12,347
Total	31,002	150,827	26,398	136,185

(1) Excluding operating lease and capital commitments.

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iv) Credit Quality

a. Non-trading gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group			Total \$ million
	Stage 1 \$ million	Stage 2 \$ million	Stage 3 \$ million	
2018				
Pass	244,504	7,102	–	251,606
Special mention	–	2,173	–	2,173
Substandard	–	–	2,489	2,489
Doubtful	–	–	207	207
Loss	–	–	1,298	1,298
	244,504	9,275	3,994	257,773

	The Group \$ million
2017	
Pass	229,703
Special mention	2,114
Substandard	2,394
Doubtful	110
Loss	1,707
	236,028

b. Non-Trading Government Treasury Bills and Securities and Debt Securities

The table below presents an analysis of non-trading government treasury bills and securities and debt securities that are neither past due nor impaired for the Group by rating agency designation as at 31 December:

	The Group				
	Singapore Government treasury bills and securities	Other government treasury bills and securities		Debt securities	
		Stage 1 \$ million	Stage 1 \$ million	Stage 2 \$ million	Stage 1 \$ million
2018					
External rating:					
Investment grade (AAA to BBB-)	5,343	10,705	455	8,892	272
Non-investment grade (BB+ to C)	–	1,174	175	978	58
Total	5,343	11,879	630	9,870	330

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for the financial year ended 31 December 2018

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iv) Credit Quality (continued)

b. Non-Trading Government Treasury Bills and Securities and Debt Securities (continued)

	The Group		
	Singapore Government treasury bills and securities \$ million	Other government treasury bills and securities \$ million	Debt Securities \$ million
2017			
External rating:			
Investment grade (AAA to BBB-)	4,267	11,691	7,649
Non-investment grade (BB+ to C)	–	6	269
Unrated	–	12	1,743
Total	4,267	11,709	9,661

c. Non-Trading Placement and Balances with Bank

	The Group		
	Stage 1 \$ million	Stage 2 \$ million	Total \$ million
2018			
Pass	38,545	687	39,232

d. Loan Commitments and Contingents, Excluding Non-Financial Guarantees

	The Group			
	Stage 1 \$ million	Stage 2 \$ million	Stage 3 \$ million	Total \$ million
2018				
Pass	158,533	2,956	–	161,489
Special mention	–	643	–	643
Substandard	–	–	18	18
Doubtful	–	–	7	7
Loss	–	–	32	32
Total	158,533	3,599	57	162,189

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(v) Ageing Analysis of Past due but not Impaired Loans

	The Group			
	< 30 days \$ million	30 – 59 days \$ million	60 – 90 days \$ million	Total \$ million
Analysed by geography ⁽¹⁾				
2018				
Singapore	3,373	229	232	3,834
Malaysia	686	224	138	1,048
Thailand	397	95	66	558
Indonesia	77	16	28	121
Greater China	126	1	10	137
Others	96	6	11	113
Total	4,755	571	485	5,811
2017				
Singapore	1,783	360	90	2,233
Malaysia	705	299	93	1,097
Thailand	393	102	75	570
Indonesia	83	41	18	142
Greater China	86	13	2	101
Others	63	68	5	136
Total	3,113	883	283	4,279

(1) By borrower's country of incorporation/operation for non-individuals and residence for individuals.

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44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(v) Ageing Analysis of Past due but not Impaired Loans (continued)

	The Group			Total \$ million
	< 30 days \$ million	30 – 59 days \$ million	60 – 90 days \$ million	
Analysed by industry				
2018				
Transport, storage and communication	321	8	3	332
Building and construction	1,212	86	31	1,329
Manufacturing	317	33	11	361
Financial institutions, investment and holding companies	294	2	2	298
General commerce	745	161	34	940
Professionals and private individuals	819	105	118	1,042
Housing loans	862	161	282	1,305
Others	185	15	4	204
Total	4,755	571	485	5,811
2017				
Transport, storage and communication	61	12	3	76
Building and construction	310	136	31	477
Manufacturing	315	36	21	372
Financial institutions, investment and holding companies	85	63	1	149
General commerce	744	98	51	893
Professionals and private individuals	622	180	63	865
Housing loans	885	342	102	1,329
Others	91	16	11	118
Total	3,113	883	283	4,279

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vi) Ageing Analysis of Non-Performing Assets

	The Group					Stage 3 ECL/ Specific allowance \$ million
	Current \$ million	< 90 days \$ million	90 – 180 days \$ million	> 180 days \$ million	Total \$ million	
Analysed by geography ⁽¹⁾						
2018						
Singapore	529	334	167	1,055	2,085	818
Malaysia	39	39	89	391	558	161
Thailand	63	96	74	223	456	153
Indonesia	69	32	27	417	545	221
Greater China	19	29	4	68	120	53
Others	68	43	17	102	230	102
Non-performing loans	787	573	378	2,256	3,994	1,508
Debt securities, contingent items and others	98	8	1	65	172	143
Total	885	581	379	2,321	4,166	1,651
2017						
Singapore	452	296	469	841	2,058	934
Malaysia	51	93	60	381	585	220
Thailand	46	82	68	243	439	157
Indonesia	278	52	75	289	694	312
Greater China	15	–	–	117	132	76
Others	41	70	5	187	303	156
Non-performing loans	883	593	677	2,058	4,211	1,855
Debt securities, contingent items and others	53	7	58	60	178	159
Total	936	600	735	2,118	4,389	2,014

(1) By borrower's country of incorporation/operation for non-individuals and residence for individuals.

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for the financial year ended 31 December 2018

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vi) Ageing Analysis of Non-Performing Assets (continued)

	The Group					Stage 3 ECL/ Specific allowance \$ million
	Current \$ million	< 90 days \$ million	90 – 180 days \$ million	> 180 days \$ million	Total \$ million	
Analysed by industry						
2018						
Transport, storage and communication	98	55	29	631	813	512
Building and construction	22	118	68	289	497	80
Manufacturing	197	165	10	337	709	291
Financial institutions, investment and holding companies	3	1	16	21	41	23
General commerce	54	106	28	323	511	191
Professionals and private individuals	72	56	65	127	320	77
Housing loans	42	65	145	487	739	123
Others	299	7	17	41	364	211
Non-performing loans	787	573	378	2,256	3,994	1,508
Debt securities, contingent items and others	98	8	1	65	172	143
Total	885	581	379	2,321	4,166	1,651
2017						
Transport, storage and communication	190	72	267	680	1,209	835
Building and construction	225	34	65	104	428	58
Manufacturing	247	50	103	238	638	279
Financial institutions, investment and holding companies	3	24	1	64	92	7
General commerce	79	40	58	308	485	214
Professionals and private individuals	71	42	78	104	295	73
Housing loans	44	68	98	467	677	127
Others	24	263	7	93	387	262
Non-performing loans	883	593	677	2,058	4,211	1,855
Debt securities, contingent items and others	53	7	58	60	178	159
Total	936	600	735	2,118	4,389	2,014

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vii) Security Coverage of Non-Performing Assets

	Collateral/credit enhancement				Unsecured credit exposure \$ million	Total \$ million
	Properties \$ million	Shares / debentures \$ million	Fixed deposits \$ million	Others \$ million		
The Group 2018						
Loans to customers	1,889	6	10	451	1,638	3,994
Debt securities	–	–	–	–	93	93
Others (including commitment and contingent)	8	–	3	2	66	79
Of which:						
Credit impaired assets with nil ECL due to collateral/ credit enhancement	811	–	6	71	–	888
						The Group 2017 \$ million
Non-performing assets secured by:						
Properties						1,771
Marketable securities, fixed deposits and others						487
Unsecured non-performing assets						2,131
						4,389

Collaterals repossessed to settle outstanding loans were immaterial.

(b) Foreign Exchange Risk and Equity Risk

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Group's foreign exchange exposures comprise trading and banking (non-trading and structural) foreign exchange exposures. Non-trading foreign exchange exposures are principally derived from investments and funding activities and customer businesses. Structural foreign currency exposures are represented by the net asset values of overseas branches and subsidiaries, share of the net asset values of overseas associates and joint ventures, intangible assets attributable to overseas subsidiaries, and long-term investment in overseas properties used for banking purposes, which are strategic in nature. The Group utilises foreign currency contracts and foreign exchange derivatives to hedge its foreign exchange exposures.

Foreign exchange risk is managed through policies and market risk limits approved by the Group Asset and Liability Committee (ALCO). The limits are independently monitored by Group Market Risk and Product Control.

At 31 December 2018, banking book foreign currency Value-at-Risk (VaR) inclusive of structural foreign currency VaR was \$19.7 million (2017: \$52.4 million).

Equity price risk in the banking book arises from equity investments held for long-term strategic reasons. At the end of the reporting period, if these equity prices had been 1% higher/lower with all other variables held constant, the Group's other comprehensive income would have been \$34 million (2017: \$32 million) higher/lower as a result of an increase/decrease in the fair value of equity investments classified as fair value through other comprehensive income/available-for-sale.

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44. Financial Risk Management (continued)

(b) Foreign Exchange Risk and Equity Risk (continued)

- (i) The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date.

	The Group						Total \$ million
	Singapore Dollar \$ million	US Dollar \$ million	Malaysian Ringgit \$ million	Thai Baht \$ million	Indonesian Rupiah \$ million	Others \$ million	
2018							
Cash, balances and placements with central banks	15,333	997	2,094	297	574	5,957	25,252
Securities	7,948	10,188	3,595	2,948	856	8,762	34,297
Placements and balances with banks	1,083	32,503	3,787	2,238	198	10,991	50,800
Loans to customers	122,435	49,837	24,910	15,243	5,036	41,166	258,627
Investment in associates and joint ventures	918	224	3	–	–	25	1,170
Intangible assets	3,168	–	–	739	231	–	4,138
Derivative financial assets	2,003	1,608	71	139	(40)	1,949	5,730
Others	2,302	3,173	416	576	590	1,021	8,078
Total assets	155,190	98,530	34,876	22,180	7,445	69,871	388,092
Deposits and balances of customers	130,981	71,704	28,312	17,148	5,148	39,893	293,186
Deposits and balances of banks, and bills and drafts payable	2,062	4,928	749	296	142	6,261	14,438
Debts issued	1,266	22,303	528	672	304	5,533	30,606
Derivative financial liabilities	1,466	5,891	101	199	11	(1,828)	5,840
Others	2,318	1,962	611	388	93	838	6,210
Total liabilities	138,093	106,788	30,301	18,703	5,698	50,697	350,280
On-balance sheet open position ⁽¹⁾	17,097	(8,258)	4,575	3,477	1,747	19,174	

(1) Net on-balance sheet position without taking into account net contract or notional amount of foreign exchange derivatives.

44. Financial Risk Management (continued)

(b) Foreign Exchange Risk and Equity Risk (continued)

(i) (continued)

	The Group						
	Singapore Dollar \$ million	US Dollar \$ million	Malaysian Ringgit \$ million	Thai Baht \$ million	Indonesian Rupiah \$ million	Others \$ million	Total \$ million
2017							
Cash, balances and placements with central banks	13,201	1,383	3,218	645	1,274	6,904	26,625
Securities	6,501	8,394	2,377	2,506	836	8,401	29,015
Placements and balances with banks	317	34,417	1,740	3,336	162	12,209	52,181
Loans to customers	114,291	43,314	23,510	13,599	4,722	32,776	232,212
Investment in associates and joint ventures	902	199	3	–	–	90	1,194
Intangible assets	3,168	–	–	738	236	–	4,142
Derivative financial assets	1,754	1,088	711	251	(147)	2,124	5,781
Others	1,628	2,571	339	494	169	2,241	7,442
Total assets	141,762	91,366	31,898	21,569	7,252	64,745	358,592
Deposits and balances of customers	123,806	67,739	26,475	15,317	5,119	34,309	272,765
Deposits and balances of banks, and bills and drafts payable	2,943	4,172	184	323	3	4,518	12,143
Debts issued	1,364	19,729	330	680	278	2,797	25,178
Derivative financial liabilities	3,354	(835)	212	312	147	2,341	5,531
Others	2,144	2,120	549	314	90	722	5,939
Total liabilities	133,611	92,925	27,750	16,946	5,637	44,687	321,556
On-balance sheet open position ⁽¹⁾	8,151	(1,559)	4,148	4,623	1,615	20,058	

(1) Net on-balance sheet position without taking into account net contract or notional amount of foreign exchange derivatives.

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44. Financial Risk Management (continued)

(b) Foreign Exchange Risk and Equity Risk (continued)

(ii) Structural currency exposures of the Group as at the balance sheet date are as follows:

	The Group		
	Total \$ million	Hedged \$ million	Unhedged \$ million
2018			
Chinese Renminbi	1,859	–	1,859
Indonesian Rupiah	1,148	–	1,148
Malaysian Ringgit	3,301	–	3,301
Thai Baht	3,045	–	3,045
US Dollar	2,387	2,117	270
Others	2,187	1,180	1,007
	13,927	3,297	10,630
2017			
Chinese Renminbi	2,003	–	2,003
Indonesian Rupiah	1,219	–	1,219
Malaysian Ringgit	2,978	–	2,978
Thai Baht	2,755	–	2,755
US Dollar	1,983	1,983	–
Others	1,986	1,298	688
	12,924	3,281	9,643

(c) Banking Book Interest Rate Risk

Interest rate risk is the impact to earnings and economic value of the Group due to fluctuations in interest rates. Interest rate exposure arises from differences in the maturity and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the ALCO.

The Group's interest rate risk sensitivity is measured as changes in economic value of equity (EVE) or net interest income (NII) based on new Basel IRRBB requirements. At 100 and 200 basis points parallel interest rate shocks, worst case results were negative \$779 million and \$1,589 million (2017: negative \$345 million and \$637 million) respectively.

EVE is the present value of assets less present value of liabilities of the Group. NII is the simulated change in the Group's net interest income. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Interest rate flooring effects are taken into consideration. Loan prepayment and time deposit early withdrawal rates are estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate. The average repricing maturity of core non-maturity deposits is determined through empirical models taking into account asset duration. Risk-free zero coupon curves are used for EVE discounting. Currencies are aggregated by scenarios. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

44. Financial Risk Management (continued)

(d) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Group manages liquidity risk in accordance with the liquidity framework approved by the ALCO. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress-test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

(i) The following table shows the cash flow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans. In particular, the Group has a significant amount of "core deposits" of customers which are contractually at call (included in the "Up to 7 days" time band) but historically have been a stable source of long-term funding for the Group.

	The Group							Total \$ million
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million	Over 1 to 3 years \$ million	Over 3 years \$ million	No specific maturity \$ million	
2018								
Cash, balances and placements with central banks	6,461	3,982	6,058	2,685	–	2,284	3,839	25,309
Securities	606	1,292	2,245	4,229	10,958	14,691	3,645	37,666
Placements and balances with banks	11,230	11,724	12,820	10,618	2,017	2,802	(10)	51,201
Loans to customers	16,396	29,901	18,512	36,340	60,570	141,764	1,626	305,109
Investment in associates and joint ventures	–	–	–	–	–	–	1,170	1,170
Intangible assets	–	–	–	–	–	–	4,138	4,138
Derivative financial assets	–	–	–	–	–	–	5,730	5,730
Others	993	8	29	183	1	2,056	3,379	6,649
Total assets	35,686	46,907	39,664	54,055	73,546	163,597	23,517	436,972
Deposits and balances of customers	142,953	39,393	46,111	62,393	2,349	2,020	52	295,271
Deposits and balances of banks, and bills and drafts payable	8,895	4,116	1,038	358	36	–	23	14,466
Debts issued	288	2,303	8,657	6,014	7,222	8,667	(335)	32,816
Derivative financial liabilities	–	–	–	–	–	–	5,840	5,840
Others	2,700	13	81	250	3	17	2,253	5,317
Total liabilities	154,836	45,825	55,887	69,015	9,610	10,704	7,833	353,710
Equity attributable to:								
Equity holders of the Bank	–	–	–	588	864	7,718	28,723	37,893
Non-controlling interests	–	–	–	–	–	–	190	190
Total equity	–	–	–	588	864	7,718	28,913	38,083
Net on-balance sheet position	(119,150)	1,082	(16,223)	(15,548)	63,072	145,175	(13,229)	
Net off-balance sheet position	(51,235)	(1,073)	(1,523)	(619)	156	(4,701)	(74)	
Net maturity mismatch	(170,385)	9	(17,746)	(16,167)	63,228	140,474	(13,303)	

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44. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(i) (continued)

	The Group							Total \$ million
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million	Over 1 to 3 years \$ million	Over 3 years \$ million	No specific maturity \$ million	
2017								
Cash, balances and placements with central banks	10,068	5,528	1,971	2,735	–	2,466	3,891	26,659
Securities	212	1,349	2,244	2,997	8,495	13,308	3,519	32,124
Placements and balances with banks	13,883	12,919	14,616	6,975	991	2,933	116	52,433
Loans to customers	13,877	21,888	19,834	34,128	53,469	128,469	1,804	273,469
Investment in associates and joint ventures	–	–	–	–	–	–	1,194	1,194
Intangible assets	–	–	–	–	–	–	4,142	4,142
Derivative financial assets	–	–	–	–	–	–	5,781	5,781
Others	671	39	96	327	10	1,812	3,439	6,394
Total assets	38,711	41,723	38,761	47,162	62,965	148,988	23,886	402,196
Deposits and balances of customers	142,495	37,519	35,981	52,494	2,938	2,789	32	274,248
Deposits and balances of banks, and bills and drafts payable	6,687	3,226	1,634	564	34	–	20	12,165
Debts issued	1,231	3,699	8,379	1,819	4,359	7,579	(160)	26,906
Derivative financial liabilities	–	–	–	–	–	–	5,531	5,531
Others	1,151	72	120	341	13	833	2,865	5,395
Total liabilities	151,564	44,516	46,114	55,218	7,344	11,201	8,288	324,245
Equity attributable to:								
Equity holders of the Bank	–	21	–	958	651	8,088	27,527	37,245
Non-controlling interests	–	–	–	–	–	–	187	187
Total equity	–	21	–	958	651	8,088	27,714	37,432
Net on-balance sheet position	(112,853)	(2,814)	(7,353)	(9,014)	54,970	129,699	(12,116)	
Net off-balance sheet position	(56,880)	(345)	(1,818)	297	350	(3,147)	(509)	
Net maturity mismatch	(169,733)	(3,159)	(9,171)	(8,717)	55,320	126,552	(12,625)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37 and 39a. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2018 and 2017. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers. The behavioural adjustments based on historical trends are disclosed in Note 44d(ii).

44. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

- (ii) The following table shows the cash flow analysis of the Group's assets and liabilities for a one-year period, with behavioural adjustments on significant balance sheet items on an undiscounted basis. The maturity profile for loans and deposits that do not have maturity dates, and fixed deposits that are frequently rolled over, is estimated based on past statistics and historical trends. Other balance sheet items such as credit cards are generally estimated based on the behavioural patterns of the customers. There may be some differences in the assumptions across geographical locations due to variations in local conditions.

	The Group			
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million
2018				
Cash, balances and placements with central banks	6,619	3,961	5,955	2,651
Securities	728	1,315	2,236	4,189
Placements and balances with banks	11,235	11,746	12,860	10,703
Loans to customers	16,552	30,369	20,351	41,151
Others	993	17	29	183
Total assets	36,127	47,408	41,431	58,877
Deposits and balances of customers ⁽¹⁾	21,036	31,976	20,469	15,634
Deposits and balances of banks, and bills and drafts payable	8,824	4,187	1,038	358
Debts issued	288	2,303	8,657	6,014
Others	2,876	20	81	250
Total liabilities	33,024	38,486	30,245	22,256
Equity attributable to:				
Equity holders of the Bank	–	–	–	588
Non-controlling interests	–	–	–	–
Total equity	–	–	–	588
Net on-balance sheet position	3,103	8,922	11,186	36,033
Net off-balance sheet position	(3,303)	(5,413)	(4,493)	(5,966)
Net maturity mismatch	(200)	3,509	6,693	30,067

(1) Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

Notes to the Financial Statements

for the financial year ended 31 December 2018

44. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(ii) (continued)

	The Group			
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million
2017				
Cash, balances and placements with central banks	10,469	5,510	1,608	2,716
Securities	602	1,506	1,978	2,884
Placements and balances with banks	13,917	13,019	14,585	6,910
Loans to customers	14,530	23,284	21,349	38,549
Others	671	47	96	327
Total assets	40,189	43,366	39,616	51,386
Deposits and balances of customers ⁽¹⁾	22,914	28,636	15,844	9,398
Deposits and balances of banks, and bills and drafts payable	6,594	3,320	1,634	563
Debts issued	1,231	3,699	8,379	1,819
Others	1,021	78	120	341
Total liabilities	31,760	35,733	25,977	12,121
Equity attributable to:				
Equity holders of the Bank	–	21	–	959
Non-controlling interests	–	–	–	–
Total equity	–	21	–	959
Net on-balance sheet position	8,429	7,612	13,639	38,306
Net off-balance sheet position	(2,646)	(5,372)	(4,393)	(4,462)
Net maturity mismatch	5,783	2,240	9,246	33,844

(1) Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

44. Financial Risk Management (continued)

(e) Value-At-Risk

The Group adopts a daily VaR to estimate market risk within a 99% confidence interval using the historical simulation method for its trading book. This entails the estimation of tail loss based on the most recent historical data, which may not always reflect the extreme loss event. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements. The level of VaR is dependent on the exposures, as well as historical market prices and volatilities. The Group runs market risk stress to complement the market risk historical simulation VaR.

The table below shows the trading book VaR profile by risk classes.

	The Group			
	Year end \$ million	High \$ million	Low \$ million	Average \$ million
2018				
Interest rate	3.59	6.28	1.74	3.49
Foreign exchange	1.18	4.86	0.81	1.67
Equity	0.25	2.95	0.13	0.60
Commodity	0.36	0.79	0.18	0.34
Specific risk ⁽¹⁾	1.18	2.68	0.85	1.34
Total VaR	7.72	11.41	6.69	8.56
2017				
Interest rate	2.65	17.35	1.77	4.70
Foreign exchange	2.39	9.73	0.73	3.11
Equity	0.21	4.43	0.02	2.51
Commodity	0.44	1.73	0.18	0.36
Specific risk ⁽¹⁾	0.78	9.10	0.30	1.11
Total VaR	7.21	17.72	5.46	8.88

(1) Specific risk encompasses specific equity market risk and specific credit market risk. It is computed from the residual volatility implied from the movement of individual assets and their corresponding indices.

Notes to the Financial Statements

for the financial year ended 31 December 2018

45. Capital Management

The Group's capital management objective is to maintain an optimal capital level and mix that supports its businesses as well as strategic growth and investment opportunities, while meeting regulatory requirements and maintaining a strong credit rating. The Group, including the Bank and its overseas banking entities, has complied with all externally-imposed regulatory capital requirements throughout the financial year.

The Group is subject to the Basel III capital adequacy standards, as prescribed in the MAS Notice 637 (MAS 637). The Group's Common Equity Tier 1 capital comprises mainly paid up ordinary share capital and disclosed reserves. Additional Tier 1 capital includes eligible non-cumulative non-convertible perpetual securities while Tier 2 capital comprises subordinated notes and excess of accounting provisions over MAS 637 expected loss. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2018	2017
	\$ million	\$ million
Share capital	4,888	4,792
Disclosed reserves/others	30,445	28,922
Regulatory adjustments	(4,583)	(3,580)
Common Equity Tier 1 capital	30,750	30,134
Perpetual capital securities/others	2,129	2,976
Regulatory adjustments	–	(890)
Additional Tier 1 capital	2,129	2,086
Tier 1 capital	32,879	32,220
Subordinated notes	4,186	4,150
Provisions/others	477	983
Regulatory adjustments	–	(5)
Tier 2 capital	4,663	5,128
Eligible total capital	37,542	37,348
Risk-weighted assets	220,568	199,481
Capital adequacy ratios (%)		
Common Equity Tier 1	13.9	15.1
Tier 1	14.9	16.2
Total	17.0	18.7

46. Explanation of the Adoption of SFRS(I) 9

A reconciliation between the carrying amounts under FRS 39 to the balances reported under SFRS(I) 9 as of 1 January 2018 is as follows:

	FRS 39 measurement Category	Re- classification		Remeasurement		SFRS(I) 9	
		Amount \$ million	\$ million	ECL \$ million	Other \$ million	Amount \$ million	Category
The Group							
Financial assets							
Cash, balances and placements with central banks	Available-for-sale	1,256	–	(10)	10	1,256	FVOCI
	Loans and receivables	21,870	–	(12)	–	21,858	AC
Other government treasury bills and securities	Available-for-sale	9,337	–	(14)	14	9,337	FVOCI
Placements and balances with banks	Loans and receivables	39,757	–	(93)	–	39,664	AC
Loans to customers	Loans and receivables	228,810	–	(1,568)	1,961	229,203	AC
Investment securities – Debt To: FVPL-mandatory To: Debt instruments at AC	Available-for-sale	7,692	(232) (4) (228)	(52) – –	52 – –	7,460	FVOCI
Investment securities – Debt From: Investment securities – debt at Available-for-sale	Loans and receivables	384	228 228	(3) –	– –	609	AC
Investment securities – Debt From: Investment securities – debt at Available-for-sale	Designated as fair value through profit or loss	–	4 4	– –	– –	4	FVPL – mandatory
Investment securities – Equity From: Investment securities at Available-for-sale	Designated as fair value through profit or loss	11	677 677	– –	– –	688	FVPL – mandatory
Investment securities – Equity To: FVPL – mandatory	Available-for-sale	3,186	(677) (677)	– –	– –	2,509	FVOCI
Other assets	Loans and receivables	3,075	–	(27)	–	3,048	AC
Financial liabilities							
Other liabilities	Non-trading liabilities	4,106	–	197	–	4,303	AC
Tax payable	Non-financial liabilities	550	2	(10)	–	542	Non-financial liabilities
Deferred tax liabilities	Non-financial liabilities	178	2	7	–	187	Non-financial liabilities

Notes to the Financial Statements

for the financial year ended 31 December 2018

46. Explanation of the Adoption of SFRS(I) 9 (continued)

	FRS 39 measurement		Re-classification	Remeasurement		SFRS(I) 9	
	Category	Amount \$ million		ECL \$ million	Other \$ million	Amount \$ million	Category
The Bank							
Financial assets							
Cash, balances and placements with central banks	Loans and receivables	15,972	–	(5)	–	15,967	AC
Other government treasury bills and securities	Available-for-sale	4,456	–	(8)	8	4,456	FVOCI
Placements and balances with banks	Loans and receivables	32,272	–	(64)	–	32,208	AC
Loans to customers	Loans and receivables	177,119	–	(717)	1,107	177,509	AC
Placements with and advances to subsidiaries	Loans and receivables	11,070	–	(45)	–	11,025	AC
Investment securities – Debt To: FVPL-mandatory To: Debt instruments at AC	Available-for-sale	6,899	(231) (4) (227)	(51) – –	51 – –	6,668	FVOCI
Investment securities – Debt From: Investment securities – debt at Available-for-sale	Loans and receivables	776	227 227	(3) –	– –	1,000	AC
Investment securities – Debt From: Investment securities – debt at Available-for-sale	Designated as fair value through profit or loss	–	4 4	– –	– –	4	FVPL – mandatory
Investment securities – Equity From: Investment securities at Available-for-sale	Designated as fair value through profit or loss	–	466 466	– –	– –	466	FVPL – mandatory
Investment securities – Equity To: FVPL – mandatory	Available-for-sale	2,819	(466) (466)	– –	– –	2,353	FVOCI
Other assets	Loans and receivables	1,605	–	(18)	–	1,587	AC
Financial liabilities							
Other liabilities	Non-trading liabilities	1,881	–	149	–	2,030	AC
Tax payable	Non-financial liabilities	472	2	(9)	–	465	Non-financial liabilities
Deferred tax liabilities	Non-financial liabilities	114	2	41	–	157	Non-financial liabilities

46. Explanation of the Adoption of SFRS(I) 9 (continued)

The impact of transition of SFRS(I) 9 on reserves and retained earnings is as follows:

	The Group \$ million	The Bank \$ million
Retained earnings		
Closing balance under FRS 39 (31 December 2017)	19,707	14,701
Reclassification adjustments in relation to adoption of SFRS(I) 9:	59	96
Reclassification of investment securities from available-for-sale to FVPL	107	81
Reclassification of investment securities from available-for-sale to FVOCI	70	65
Impact of recognising own credit risk on financial liabilities designated at FVPL in fair value reserve	(52)	(52)
Recognition of SFRS(I) 9 expected credit losses	–	59
Tax in relation to the above	(5)	(35)
Others	(58)	(22)
Non-controlling interest	(3)	–
Opening balance under SFRS(I) 9 (1 January 2018)	19,766	14,797
Other reserves		
Closing balance under FRS 39 (31 December 2017)	9,377	10,045
Reclassification adjustments in relation to adoption of SFRS(I) 9:	1	(29)
Reclassification of investment securities from available-for-sale to FVPL	(107)	(81)
Reclassification of investment securities from available-for-sale to FVOCI	(70)	(65)
Impact of recognising own credit risk on financial liabilities designated at FVPL in fair value reserve	52	52
Allowance for expected credit losses for debts financial assets at FVOCI	61	43
Tax in relation to the above	3	–
Others	58	22
Non-controlling interest	4	–
Opening balance under SFRS(I) 9 (1 January 2018)	9,378	10,016
Total changes in equity due to adopting SFRS(I) 9	60	67

Notes to the Financial Statements

for the financial year ended 31 December 2018

46. Explanation of the Adoption of SFRS(I) 9 (continued)

The following table reconciles the general allowances in accordance with FRS 39, modified by requirements under MAS Notice 612, to the corresponding ECL allowances determined in accordance with SFRS(I) 9 as at 1 January 2018.

	General allowance under FRS 39 at 31 December 2017 \$ million	Re- measurement \$ million	ECL under SFRS(I) 9 at 1 January 2018 \$ million
The Group			
Cash, balances and placements with central banks	–	22	22
Other government treasury bills and securities	–	14	14
Placements and balances with banks	–	93	93
Loans to customers	1,961	(393)	1,568
Investment securities	15	40	55
Other assets	–	27	27
Other liabilities	–	197	197
Total ECL allowances	1,976	–	1,976
The Bank			
Cash, balances and placements with central banks	–	5	5
Other government treasury bills and securities	–	8	8
Placements and balances with banks	–	64	64
Loans to customers	1,107	(389)	718
Placement with and advances to subsidiaries	–	45	45
Investment securities	15	39	54
Other assets	–	20	20
Other liabilities	–	149	149
Total ECL allowances	1,122	(59)	1,063

47. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 21 February 2019.

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries

31 December 2018

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Statistics of Shareholdings

as at 5 March 2019

Distribution of Shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares and subsidiary holdings)	%
1 – 99	4,971	14.42	172,192	0.01
100 – 1,000	11,654	33.82	6,593,960	0.40
1,001 – 10,000	15,026	43.60	46,018,264	2.76
10,001 – 1,000,000	2,761	8.01	121,566,424	7.30
1,000,001 and above	50	0.15	1,491,366,102	89.53
Total	34,462	100.00	1,665,716,942	100.00

Treasury Shares, Subsidiary Holdings and Public Float

As at 5 March 2019, the Company had 14,824,526 treasury shares, constituting 0.88% of the total number of issued shares in the capital of the Company, and no subsidiary holdings. Based on information available to the Company as at 5 March 2019, approximately 76% of the issued shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual had been complied with.

Twenty Largest Shareholders (as shown in the Register of Members and Depository Register)

Name of shareholders	No. of shares	%**
Citibank Nominees Singapore Pte Ltd	316,600,967	19.01
DBS Nominees (Private) Limited	310,546,747	18.64
DBSN Services Pte. Ltd.	144,113,706	8.65
Wee Investments (Pte) Limited	133,278,368	8.00
HSBC (Singapore) Nominees Pte Ltd	114,329,538	6.86
Wah Hin and Company Private Limited	85,988,870	5.16
Tai Tak Estates Sendirian Berhad	68,668,000	4.12
UOB Kay Hian Private Limited	42,268,001	2.54
C Y Wee & Co Pte Ltd	37,781,750	2.27
Raffles Nominees (Pte.) Limited	36,027,484	2.16
Haw Par Investment Holdings Pte Ltd	22,832,059	1.37
Wee Cho Yaw	21,599,798	1.30
Pickwick Securities Private Limited	20,469,962	1.23
BPSS Nominees Singapore (Pte.) Ltd.	19,472,944	1.17
Straits Maritime Leasing Private Limited	16,696,298	1.00
Tee Teh Sdn Berhad	10,600,487	0.64
UOB Nominees (2006) Private Limited	9,156,167	0.55
Haw Par Equities Pte Ltd	7,541,628	0.45
CGS-CIMB Securities (Singapore) Pte. Ltd.	5,273,236	0.32
Haw Par Trading Pte Ltd	4,686,739	0.28
Total	1,427,932,749	85.72

* Percentage was calculated based on the total number of issued ordinary shares, excluding treasury shares and subsidiary holdings, of the Company.

Statistics of Shareholdings

as at 5 March 2019

Ordinary Shares

Substantial Shareholders (as shown in the Register of Substantial Shareholders)

Substantial shareholder	Shareholdings registered in the name of substantial shareholders	Other shareholdings in which substantial shareholders were deemed to have an interest	Total interest	
	No. of shares	No. of shares	No. of shares	%*
Estate of Lien Ying Chow, deceased	316,516	86,099,912 ⁽¹⁾	86,416,428	5.19
Lien Ying Chow Private Limited	–	85,999,165 ⁽¹⁾	85,999,165	5.16
Wah Hin and Company Private Limited	85,988,870	10,295 ⁽²⁾	85,999,165	5.16
Sandstone Capital Pte. Ltd.	10,295	85,988,870 ⁽³⁾	85,999,165	5.16
Wee Cho Yaw	21,599,798	287,113,587 ⁽⁴⁾	308,713,385	18.53
Wee Ee Cheong	3,056,455	173,663,415 ⁽⁴⁾	176,719,870	10.61
Wee Ee Chao	160,231	137,847,174 ⁽⁴⁾	138,007,405	8.29
Wee Ee Lim	1,831,903	173,266,519 ⁽⁴⁾	175,098,422	10.51
Wee Investments (Pte) Limited	133,278,205	194,119	133,472,324	8.01

* Percentage was calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Company.

Notes:

- (1) Estate of Lien Ying Chow, deceased and Lien Ying Chow Private Limited were each deemed to have an interest in the 85,999,165 Shares in which Wah Hin and Company Private Limited has an interest.
- (2) Wah Hin and Company Private Limited was deemed to have an interest in the 10,295 Shares held by Sandstone Capital Pte. Ltd.
- (3) Sandstone Capital Pte. Ltd. was deemed to have an interest in the 85,988,870 Shares held by Wah Hin and Company Private Limited.
- (4) Wee Cho Yaw, Wee Ee Cheong, Wee Ee Chao and Wee Ee Lim were each deemed to have an interest in Wee Investments (Pte) Limited's total direct and deemed interests of 133,472,324 Shares.

Five-Year Ordinary Share Capital Summary

Year	Particulars	Number of ordinary shares		
		Issued	Held in treasury	In circulation
2014	Balance at beginning of year	1,590,493,941	(14,069,388)	1,576,424,553
	Shares issued under share-based compensation plans		2,212,108	
	Shares issued under scrip dividend scheme	24,050,013		
	Balance at end of year	1,614,543,954	(11,857,280)	1,602,686,674
2015	Shares issued under share-based compensation plans		1,315,741	
	Share re-purchased and held in treasury		(1,739,560)	
	Balance at end of year	1,614,543,954	(12,281,099)	1,602,262,855
2016	Shares issued under scrip dividend scheme	32,422,053		
	Shares issued under share-based compensation plans		1,007,169	
	Balance at end of year	1,646,966,007	(11,273,930)	1,635,692,077
2017	Shares issued under scrip dividend scheme	24,568,266		
	Shares issued under share-based compensation plans		2,394,739	
	Balance at end of year	1,671,534,273	(8,879,191)	1,662,655,082
2018	Shares issued under scrip dividend scheme	9,007,195		
	Share re-purchased and held in treasury		(7,901,990)	
	Shares issued under share-based compensation plans		1,947,117	
	Balance at end of year	1,680,541,468	(14,834,064)	1,665,707,404

International Network

Banking

Singapore

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Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo

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Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo
State Manager: Geoff Luxton

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Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo
State Manager: Gregory Thompson

Brunei

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Abdul Razak Abdul Malek

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Country Manager: John Gleason
Manager: Tan Yee Ho

China

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Email: CustomerExperience.UOBC@UOBgroup.com
Website: www.UOBChina.com.cn
President and Chief Executive Officer:
Peter Foo Moo Tan

United Overseas Bank (China) Limited has 16 branches/sub-branches in China.

Hong Kong S.A.R.

UOB Main Branch
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Email: UOB.HongKong@UOBgroup.com
Chief Executive Officer:
Christine Yeung See Ming

UOB Kwun Tong Branch

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Fax: (852) 2123 7589
Email: UOB.HongKong@UOBgroup.com
Chief Executive Officer:
Christine Yeung See Ming

UOB Tsim Sha Tsui Branch

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Tsim Sha Tsui, Kowloon, Hong Kong S.A.R.
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Fax: (852) 3970 7799
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Chief Executive Officer:
Christine Yeung See Ming

India

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Mumbai 400 051
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Country Manager: PV Ananthakrishnan

International Network

Indonesia

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Chief Representative: Utami Dewi Suhadi

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Phone: (62)(21) 2350 6000
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SWIFT: BBIJIDJA
Website: www.UOB.co.id
President Director: Kevin Lam Sai Yoke

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Branch Manager: Jeannie Lew Siew Yen

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SWIFT: UOVBM2L
Email: UOBcustomerservice@UOB.com.my
Website: www.UOB.com.my
Chief Executive Officer: Wong Kim Choong

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Country Manager: Tan Kian Huat

Taiwan

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Taiwan R.O.C.
Phone: (886)(2) 2722 3838
Fax: (886)(2) 2722 2322
Email: UOB.Taipei@UOBgroup.com
Country Manager: Grace Wang Chih-Hua

Thailand

United Overseas Bank (Thai) Public Company Limited

(a subsidiary)
191 South Sathon Road
Sathon, Bangkok 10120
Phone: (66)(2) 343 3000
Fax: (66)(2) 287 2973/287 2974
SWIFT: UOVBT3BK
Website: www.UOB.co.th
President and Chief Executive Officer:
Tan Choon Hin

United Overseas Bank (Thai) Public Company Limited has 154 branches in Thailand.

United Kingdom

UOB London Branch

50 Cannon Street
London EC4N 6JJ
Phone: (44)(20) 7448 5800
Fax: (44)(20) 7628 3433
SWIFT: UOVGB2L
Email: UOB.London@UOBgroup.com
Country Manager: Michael Liu

United States of America

UOB New York Agency

48th Street, 592 Fifth Avenue
10th Floor, UOB Building
New York, NY 10036
Phone: (1)(212) 382 0088
Fax: (1)(212) 382 1881
SWIFT: UOVBUS33
Email: UOB.NewYork@UOBgroup.com
Country Manager and Agent:
Bert De Guzman

UOB Los Angeles Agency

777 South Figueroa Street, Suite 518
Los Angeles, California 90017
Phone: (1)(213) 623 8042
Fax: (1)(213) 623 3412
Email: UOB.LosAngeles@UOBgroup.com
Country Manager and Agent:
Bert De Guzman

Vietnam

United Overseas Bank (Vietnam) Limited (a subsidiary)

1st Floor, Central Plaza Office Building
17 Le Duan Boulevard
District 1, Ho Chi Minh City
Phone: (84)(28) 3825 1424
Fax: (84)(28) 3825 1423
SWIFT: UOVBNVNX
Email: UOBV.CustomerService@UOBgroup.com
Chief Executive Officer: Harry Loh

United Overseas Bank (Vietnam) Limited has 1 branch in Vietnam.

Correspondents

In all principal cities of the world

Related Financial Services

Commodities, Brokerage and Clearing

Singapore

UOB Bullion and Futures Limited

(a subsidiary)
80 Raffles Place
5th Floor, UOB Plaza 1
Singapore 048624
Phone: (65) 6709 8806
Email: UOBBF.info@UOBgroup.com
Website: www.UOBBF.com.sg
Chief Executive Officer: Ady Ng Lai Wah

UOBBF Clearing Limited

(a subsidiary)
80 Raffles Place
5th Floor, UOB Plaza 1
Singapore 048624
Phone: (65) 6598 1719
Email: futures@UOBgroup.com
Website: www.UOBBFclearing.com.sg
Chief Executive Officer:
Dennis Seet Choon Seng

South Korea

UOB Bullion and Futures Limited Korea Branch

43rd Fl., 3 IFC, 10 Gukjegeumyung-ro
Yeongdeungpo-Gu, Seoul, Korea
Phone: (82)(2) 6265 1088
Fax: (82)(2) 6265 1098
Email: Chung.YeeChul@UOBgroup.com
Branch Manager: Chung Yee Chul

Taiwan

UOB Bullion and Futures Limited Taiwan Branch

No. 68, Sec. 5, Zhongxiao East Road
30F, Cathay Landmark
Xinyi District, Taipei City 11065
Phone: (886)(2) 2345 1266
Fax: (886)(2) 2345 1639
Email: Vincent.ChengCJ@UOBgroup.com
Branch Manager: Vincent Cheng Chih Jung

Insurance

Singapore

United Overseas Insurance Limited

(a subsidiary)
3 Anson Road
#28-01 Springleaf Tower
Singapore 079909
Phone: (65) 6222 7733
Fax: (65) 6327 3869/6327 3870
Email: ContactUs@UOI.com.sg
Website: www.UOI.com.sg
Managing Director and Chief Executive:
David Chan Mun Wai

Myanmar

United Overseas Insurance Limited
Myanmar Representative Office
Room No. 1401, 14th Floor
Olympic Tower
Corner of Maharbandoola Street and
Bo Aung Kyaw Street
Kyauktada Township
Yangon, Myanmar
Phone: (95)(1) 8392 917
Fax: (95)(1) 8392 916
Representative: Myat Myat Lwin @ Jessie

Investment Management

Singapore

United Orient Capital Pte. Ltd.

(an associate)
80 Raffles Place
#26-04 UOB Plaza 1
Singapore 048624
Phone: (65) 6598 3356
Fax: (65) 6532 0245
Website: www.UnitedOrientCapital.com
Contact: Han Kuan Yuan

UOB Alternative Investment Management Pte. Ltd.

(a subsidiary)
80 Raffles Place
#16-21 UOB Plaza 2
Singapore 048624
Phone: (65) 6539 2492
Fax: (65) 6532 7558
Email: UOBAIM@UOBgroup.com
Website: www.UOBAIM.com.sg
Chief Executive Officer: Low Han Seng

UOB Asset Management Ltd

(a subsidiary)
80 Raffles Place
3rd Floor, UOB Plaza 2
Singapore 048624
Phone: (65) 6532 7988
Fax: (65) 6535 5882
Email: UOBAM@UOBgroup.com
Website: www.UOBAM.com.sg
Managing Director and Group Chief
Executive Officer: Thio Boon Kiat

UOB-SM Asset Management Pte. Ltd.

(a subsidiary)
80 Raffles Place
#15-22 UOB Plaza 2
Singapore 048624
Phone: (65) 6589 3850
Fax: (65) 6589 3849
Chief Executive Officer: Reiji Takamori

UOB Venture Management Private Limited

(a subsidiary)
80 Raffles Place
#30-20 UOB Plaza 2
Singapore 048624
Phone: (65) 6539 3044
Fax: (65) 6538 2569
Email: info@UOBVM.com.sg
Managing Director and Chief Executive
Officer: Seah Kian Wee

Brunei

UOB Asset Management (B) Sdn Bhd

(a subsidiary)
Unit FF03-FF05, 1st Floor
The Centrepoin Hotel
Jalan Gadong
Bandar Seri Begawan BE3519
Phone: (673) 242 4806
Fax: (673) 242 4805
General Manager: Kamal Haji Muhammad

China

UOB Investment (China) Limited

(an associate)
No. 211, Bei Si Huan Middle Road
Room 817 Taiji Building
Haidian District, Beijing 100083
Phone: (86)(10) 8905 6679
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Contact: Seah Kian Wee

UOB Venture Management (Shanghai) Limited

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Room 3307, United Plaza
Shanghai 200040
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Email: postmaster@UOBVM.com.cn
Managing Director: Seah Kian Wee

SZVC-UOB Venture Management Co., Ltd

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Futian Centre District
Shenzhen 518048
Phone: (86)(755) 8291 2888
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Director: Jean Thoh

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Managing Director: Michael Landau

International Network

Indonesia

UOB Venture Management Private Limited Representative Office
No. 1, Jalan M.H. Thamrin
50th Floor, Menara BCA
Jakarta 10310
Phone: (62)(21) 2358 5754/5753
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Japan

UOB Asset Management (Japan) Ltd
(a subsidiary)
2-11-1 Nagatacho, Chiyoda-ku
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Phone: (81)(3) 3500 5981
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Chief Executive Officer: Hideaki Mochizuki

Malaysia

UOB Asset Management (Malaysia) Berhad
(a subsidiary)
348 Jalan Tun Razak
Level 22, Vista Tower, The Intermark
50400 Kuala Lumpur, Malaysia
Phone: (60)(3) 2732 1181
Fax: (60)(3) 2164 8188
Email: UOBAMCustomerCareMY@UOBgroup.com
Website: www.UOBAM.com.my
Chief Executive Officer: Lim Suet Ling

UOB Islamic Asset Management Sdn Bhd
(a subsidiary)
348 Jalan Tun Razak
Level 22, Vista Tower, The Intermark
50400 Kuala Lumpur, Malaysia
Phone: (60)(3) 2732 1181
Fax: (60)(3) 2164 8188
Email: UOBAMCustomerCareMY@UOBgroup.com
Chief Executive Officer:
Suhazi Reza Selamat

Taiwan

UOB Asset Management (Taiwan) Co., Ltd
(a subsidiary)
109 Minsheng East Road Section 3
16th Floor, Union Enterprise Plaza
Taipei 10544
Phone: (886)(2) 2719 7005
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Email: UOBAMTW@UOBgroup.com
Website: www.UOBAM.com.tw
Greater China Chief Executive Officer:
William Wang

Thailand

UOB Asset Management (Thailand) Co., Ltd.
(a subsidiary)
173/27-30, 32-33 South Sathon Road
23A, 25th Floor, Asia Centre Building
Thungmahamek
Sathon, Bangkok 10120
Phone: (66)(2) 786 2000
Fax: (66)(2) 786 2377
Website: www.UOBAM.co.th
Chief Executive Officer: Vana Bulbon

United States of America

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(a subsidiary)
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New York, NY 10036
Phone: (1)(212) 398 6633
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Managing Director: David Goss

Money Market

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Director and Country Head, Australia and
New Zealand: John Liles
Director and General Manager, Operations:
Eric Yeo

Stockbroking

Singapore

UOB-Kay Hian Holdings Limited
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Singapore 229957
Phone: (65) 6535 6868
Fax: (65) 6532 6919
Website: www.uobkayhian.com
Managing Director: Wee Ee Chao

Venture Debt

Singapore

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138 Market Street
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InnoVen Financial Leasing Co., Ltd
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Beijing Kerry Centre, 3/F South Tower
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Others

Singapore

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Avatec.ai (S) Pte. Ltd.

(a subsidiary)
71 Robinson Road, #13-102
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Email: info@avatec.ai
Chief Executive Officer: Dennis Tan

China

Avatec (Beijing) Co Ltd
(a subsidiary)
4th Floor, Block B (East 2 Gate)
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Beijing, China
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Chief Executive Officer: Dennis Tan

Indonesia

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Country Manager: Denny Purwadi

Global Reporting Initiative Content Index

Global Reporting Initiative (GRI) Content Index

GRI Standard	Disclosures	Disclosure Information or Location
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GRI 102-3	Location of headquarters	2
GRI 102-4	Location of operations	3
GRI 102-5	Ownership and legal form	Public limited company listed on the Singapore Exchange
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GRI 102-10	Significant changes to the organisation and its supply chain	No significant change during the reporting period
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GRI 102-47	List of material topics	30-32
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GRI 102-49	Changes in reporting	No significant change
GRI 102-50	Reporting period	1 Jan 2018 to 31 Dec 2018
GRI 102-51	Date of most recent report	March 2018
GRI 102-52	Reporting cycle	Annual
GRI 102-53	Contact point for questions regarding the report	115
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Notice of Annual General Meeting

United Overseas Bank Limited

(Incorporated in the Republic of Singapore)
Company Registration No. 193500026Z

Notice is hereby given that the 77th Annual General Meeting of members of United Overseas Bank Limited will be held at Pan Pacific Singapore, Pacific 1-3, Level 1, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Friday, 26 April 2019, at 3.00 pm to transact the following business:

AS ORDINARY BUSINESS

- Resolution 1** To receive the Financial Statements, the Directors' Statement and the Auditor's Report for the year ended 31 December 2018.
- Resolution 2** To declare a final one-tier tax-exempt dividend of 50 cents per ordinary share and a special one-tier tax-exempt dividend of 20 cents per ordinary share for the year ended 31 December 2018.
- Resolution 3** To approve Directors' fees of S\$3,415,000 for 2018 (2017: S\$2,920,000).
- Resolution 4** To approve an advisory fee of S\$240,000 to Dr Wee Cho Yaw, the Chairman Emeritus and Adviser, for the period from January 2018 to April 2018.
- Resolution 5** To re-appoint Ernst & Young LLP as Auditor of the Company and authorise the Directors to fix its remuneration.
- To re-elect the following Directors:
- Resolution 6** Mr James Koh Cher Siang (retiring by rotation)
- Resolution 7** Mr Ong Yew Huat (retiring by rotation)
- Resolution 8** Mr Wee Ee Lim (retiring under Article 106(3))

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:

- Resolution 9** "THAT authority be and is hereby given to the Directors to:
- (a) (i) issue ordinary shares in the capital of the Company (**Shares**) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued Shares, excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent of the total number of issued Shares, excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation and adjustment as may be prescribed by the Singapore Exchange Securities Trading Limited (SGX-ST)) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares, excluding treasury shares and subsidiary holdings, at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting (AGM) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

In this Resolution 9, “**subsidiary holdings**” shall have the meaning given to it in the SGX-ST Listing Manual.

Resolution 10 “THAT authority be and is hereby given to the Directors to allot and issue from time to time such number of ordinary Shares as may be required to be allotted and issued pursuant to the UOB Scrip Dividend Scheme.”

Resolution 11 “THAT

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (**Shares**) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) (**Market Purchase**) on the SGX-ST; and/or
 - (ii) off-market purchase(s) (**Off-Market Purchase**) (if effected otherwise than on SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (**Share Purchase Mandate**);



Notice of Annual General Meeting

- (b) the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next Annual General Meeting (**AGM**) of the Company is held or required by law to be held;
 - (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in a general meeting;

- (c) In this Resolution 11:

“**Relevant Period**” means the period commencing from the date on which the last AGM of the Company was held and expiring on the date the next AGM of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

“**Maximum Limit**” means that number of Shares representing 5 per cent of the total number of issued Shares (excluding any Shares which are held as treasury shares and subsidiary holdings) as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued Shares shall be taken to be the total number of the issued Shares as altered by such capital reduction (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 105 per cent of the Average Closing Price of the Shares,

where:

“**Average Closing Price**” means the average of the last dealt prices of the Shares over the five consecutive market days on which the Shares were transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**subsidiary holdings**” shall have the meaning given to it in the SGX-ST Listing Manual;

- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.”

Notes to Resolutions

Resolution 2 is to approve the final and special dividends. The Transfer Books and Register of Members will be closed on 8 May 2019 for the preparation of the final and special dividends. Registrable transfers received up to 5.00 pm on 7 May 2019 will be entitled to the final and special dividends. If approved, the final and special dividends will be paid on 16 May 2019.

Resolution 4 is to approve a fee of S\$240,000 for the period from January 2018 to April 2018 to Dr Wee Cho Yaw, Chairman Emeritus and Adviser of the Bank, for services rendered.

Resolution 6 is to re-elect Mr James Koh Cher Siang who will, if re-elected, continue as an independent and non-executive director, chairman of the Remuneration and Human Capital Committee and a member of the Audit and Nominating Committees. Mr Koh resides in Singapore.

Resolution 7 is to re-elect Mr Ong Yew Huat who will, if re-elected, continue as an independent and non-executive director, chairman of the Board Risk Management Committee and a member of the Audit and Executive Committees. Mr Ong resides in Singapore.

Resolution 8 is to re-elect Mr Wee Ee Lim who will, if re-elected, continue as a non-independent and non-executive director and a member of the Board Risk Management Committee. Mr Wee resides in Singapore.

Resolution 9 is to empower the Directors to issue ordinary shares in the capital of the Company (**Shares**) and to make or grant instruments (such as warrants or debentures or options) convertible into Shares and to issue Shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the total number of issued Shares, excluding treasury shares and subsidiary holdings, but with a sub-limit of 10 per cent for issue of Shares other than on a *pro rata* basis to shareholders (**General Mandate**). For the purpose of determining the aggregate number of Shares that may be issued pursuant to the General Mandate, the percentage of issued Shares shall be based on the total number of issued Shares, excluding treasury shares and subsidiary holdings, at the time that Resolution 9 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed and (b) any subsequent bonus issue, consolidation or subdivision of Shares.

Resolution 10 is to authorise the directors to issue ordinary shares pursuant to the UOB Scrip Dividend Scheme (**Scheme**) should the Company decide to apply the Scheme to any dividend declared by the Company from the date of this Annual General Meeting (**AGM**) until the date of the next AGM of the Company.

Resolution 11 is to renew the Share Purchase Mandate, which was first approved by shareholders on 29 April 2004 and was last renewed at the AGM of the Company on 20 April 2018.

The Company intends to use its internal sources of funds to finance its purchase or acquisition of the shares. The amount of financing required for the Company to purchase or acquire its shares and the impact on the Company's financial position cannot be ascertained as at the date of this Notice of AGM as these will depend on, *inter alia*, the aggregate number of shares purchased or acquired and the consideration paid at the relevant time.

Based on the total number of issued shares as at 5 March 2019 (**Latest Practicable Date**), the purchase by the Company of 5 per cent of its issued shares (excluding the shares held in treasury and subsidiary holdings) will result in the purchase or acquisition of 83,285,847 Shares.



Notice of Annual General Meeting

Assuming that the Company purchases or acquires 83,285,847 shares at the Maximum Price, the maximum amount of funds required is approximately S\$2,200,412,078 based on S\$26.42 for one Share (being the price equivalent to 5 per cent above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date) whether it is a Market Purchase or an Off-Market Purchase.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial accounts of the UOB Group for the financial year ended 31 December 2018, based on certain assumptions, are set out in the Appendix to the Notice of Annual General Meeting dated 3 April 2019.

BY ORDER OF THE BOARD

Joyce Sia/Theresa Sim
Company Secretaries

Singapore
3 April 2019

Notes

- (1) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, to speak and to vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, to speak and to vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
- (2) A proxy need not be a member of the Company.
- (3) To be effective, the instrument appointing a proxy must be deposited at 80 Raffles Place, #04-20, UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 72 hours before the time set for holding the Annual General Meeting of the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, to speak and to vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company* for the purposes of the processing, administration and analysis by the Company* of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes, notes of discussion and other documents relating to the Annual General Meeting (including any adjournment thereof), for publication of the names and comments of the members, proxies and representatives on the Company's website and in order for the Company* to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the **Purposes**);
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company*, the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company* of the personal data of such proxy(ies) and/or representative(s) for the Purposes and agrees to provide the Company with written evidence of such prior consent upon reasonable request; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

* including the Company's agents and/or service providers

Appendix Renewal of Share Purchase Mandate

If you have any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your shares in the capital of United Overseas Bank Limited, you should immediately forward this Annual Report/Appendix to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward delivery to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made in this Appendix.



UNITED OVERSEAS BANK LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 193500026Z)

**APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING
DATED 3 APRIL 2019**

Appendix

Renewal of Share Purchase Mandate

1. Introduction

- 1.1 **General.** The purpose of this Appendix is to provide Shareholders¹ with information relating to Resolution 11 set out in the Notice of Annual General Meeting of United Overseas Bank Limited (**UOB** or **Company**) in respect of the proposed renewal of the mandate (**Share Purchase Mandate**) enabling UOB to purchase or otherwise acquire issued ordinary shares in the capital of UOB (**Shares**).
- 1.2 **SGX-ST.** The Singapore Exchange Securities Trading Limited (**SGX-ST**) takes no responsibility for the accuracy of any statement or opinion made in this Appendix.

2. The Renewal of the Share Purchase Mandate

- 2.1 **Background.** The Share Purchase Mandate was first approved by Shareholders on 29 April 2004 and was last renewed at the annual general meeting held on 20 April 2018 (**2018 Share Purchase Mandate**).

The 2018 Share Purchase Mandate will expire on the date of the forthcoming 77th annual general meeting to be held on 26 April 2019 (**2019 AGM**). The approval of Shareholders is being sought for the renewal of the Share Purchase Mandate at the 2019 AGM.

- 2.2 **Rationale for the Proposed Renewal of the Share Purchase Mandate.** The proposed renewal of the Share Purchase Mandate would give UOB the flexibility to undertake the purchase or acquisition of its issued Shares as and when appropriate to:

- (i) manage the capital structure of UOB, with a view to achieving an efficient capital mix;
- (ii) manage surplus capital, such that surplus capital and funds which are in excess of UOB's requirements may be returned to Shareholders in an expedient and cost-efficient manner; and
- (iii) improve return on equity (**ROE**), which is one of the key objectives of UOB.

The issued Shares purchased or acquired pursuant to the Share Purchase Mandate may be held as treasury shares which may be used for the purposes of any staff incentive scheme as may be implemented by UOB from time to time.

The Share Purchase Mandate will be exercised by the Directors of UOB (**Directors**) in circumstances where it is considered to be in the best interests of UOB after taking into account factors such as the amount of surplus cash available and working capital requirements of UOB, the prevailing market conditions, liquidity and orderly trading of the Shares.

- 2.3 **Authority and Limits on the Share Purchase Mandate.** The authority and limits on the Share Purchase Mandate are summarised below.

2.3.1 Maximum Number of Shares

The total number of Shares that may be purchased or acquired by UOB pursuant to the Share Purchase Mandate is limited to that number of Shares representing 5% of the total number of issued Shares of UOB as at the date of the 77th Annual General Meeting at which this renewal of the Share Purchase Mandate is approved (**Approval Date**) unless UOB has effected a reduction of the share capital of UOB in accordance with the applicable provisions of the Companies Act, at any time during the period commencing from the date of the 77th Annual General Meeting and expiring on the date the next annual general meeting (**AGM**) is held or is required by law to be held, whichever is the earlier, in which event the issued Shares shall be taken to be the total number of the issued Shares as altered by such capital reduction. Only Shares which are issued and fully paid-up may be purchased or acquired by UOB. The Shares which are held as treasury shares and subsidiary holdings (as defined in the Listing Manual) will be disregarded for the purposes of computing the 5% limit.

¹ Refers to registered holders of Shares, except that where the registered holder is The Central Depository (Pte) Limited (**CDP**), the term "Shareholders" shall, in relation to such Shares and where the context admits, mean the Depositors (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**)) whose securities accounts are maintained with CDP (but not including securities sub-accounts maintained with a Depository Agent (as defined in Section 81SF of the SFA)) and credited with Shares.

As at 5 March 2019 (**Latest Practicable Date**), the Company had 1,665,716,942 shares, excluding treasury shares, and no subsidiary holdings.

While the Share Purchase Mandate would authorise the purchase or acquisition of Shares up to the 5% limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out up to the full 5% as authorised, or at all. In particular, no purchase or acquisition of the Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of UOB.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date up to:

- (i) the date on which the next AGM of UOB is held or required by law to be held;
- (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by UOB in a general meeting,

whichever is the earliest.

2.3.3 Manner of Purchase or Acquisition of Shares

Purchases or acquisitions of Shares may be made by:

- (i) on-market purchases (**Market Purchases**) transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed dealers appointed by UOB for the purpose; and/or
- (ii) off-market purchases (**Off-Market Purchases**) effected pursuant to an equal access scheme.

The purchases or acquisitions in connection with or in relation to any equal access scheme or schemes may be subject to such terms and conditions as the Directors may consider fit in the interests of UOB provided that such terms and conditions are consistent with the relevant provisions of the Share Purchase Mandate, the listing manual of the SGX-ST (**Listing Manual**) and the Companies Act.

Off-Market Purchases must satisfy all the following conditions:

- (a) offers for the purchase or the acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of the offers shall be the same, except that:
 - (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; and
 - (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares,

shall be disregarded.

Appendix

Renewal of Share Purchase Mandate

If UOB wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (I) the terms and conditions of the offer;
- (II) the period and procedures for acceptances; and
- (III) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed 105% of the Average Closing Price of the Shares whether they are a Market Purchase or an Off-Market Purchase.

For the above purposes:

“**Average Closing Price**” means the average of the last dealt prices of the Shares over the five consecutive market days on which the Shares were transacted on the SGX-ST immediately preceding the date of the Market Purchase by UOB or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which UOB announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share, and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.3.5 No Purchases during Certain Periods.

The share buy-back will not be carried out during the period commencing two weeks before the announcement of the financial statements for each of the first three quarters of UOB's financial year and one month before the announcement of UOB's full year financial statements.

2.4 Source of Funds. The Companies Act permits UOB to purchase or acquire its own Shares out of capital, as well as from its distributable profits.

UOB intends to use its internal sources of funds to finance its purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital of UOB and its subsidiaries (**Group**) would be materially adversely affected.

2.5 Reporting Requirements. Pursuant to Rule 886 of the Listing Manual, UOB will notify the SGX-ST of any purchase or acquisition of Shares under the proposed Share Purchase Mandate as follows:

- (i) in the case of a Market Purchase, by 9.00 am on the market day following the day on which it purchased the Shares; and
- (ii) in the case of an Off-Market Purchase, by 9.00 am on the second market day after the close of acceptances of the offer.

The announcement (in the form prescribed under the Listing Manual) shall include, *inter alia*, details of the maximum number of Shares authorised for purchase, the date of purchase, the total number of Shares purchased, the number of Shares cancelled, the number of Shares held as treasury shares, the purchase price per Share or the highest and lowest prices paid for such Shares (as applicable), the total consideration (including stamp duties, brokerage and clearing charges, and other related expenses) paid or payable for the Shares, the cumulative number of Shares purchased to date, the number of issued Shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

- 2.6 **Status of Purchased Shares.** Under the Companies Act, Shares purchased or acquired by UOB shall be deemed cancelled immediately upon purchase or acquisition (and all rights and privileges attached to the Shares will expire on cancellation) unless such Shares are held by UOB as treasury shares. Accordingly, in the event that the purchased Shares are cancelled, the total number of issued Shares will be reduced by the number of Shares so cancelled.

Depending on the needs of UOB, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares.

- 2.7 **Treasury Shares.** The Shares purchased or acquired may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below.

2.7.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of Shares.

2.7.2 Voting and Other Rights

UOB cannot exercise any right in respect of treasury shares, including any right to attend or vote at meetings.

In addition, treasury shares are not entitled to dividends or other distribution of UOB's assets but fully paid bonus shares may be allotted in respect of treasury shares and such bonus shares shall be treated for the purposes of the Companies Act as if they were purchased by UOB at the time they were allotted. Accordingly, such bonus shares may be held as treasury shares or dealt with in the manner described in paragraphs 2.7.3(i) to 2.7.3(v) below. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.7.3 Disposal and Cancellation

Where Shares purchased or acquired by UOB are held as treasury shares, UOB may at any time but subject always to the Singapore Code on Take-overs and Mergers (**Take-over Code**):

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

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Renewal of Share Purchase Mandate

Under Rule 704(28) of the Listing Manual, an immediate announcement containing, *inter alia*, the following details must be made in respect of any sale, transfer, cancellation and/or use of the treasury shares (each an **event**):

- (a) date and purpose of event;
- (b) number and value of treasury shares involved in the event;
- (c) number of treasury shares involved before and after the event; and
- (d) percentage of the number of treasury shares against the total number of shares (of the same class as the treasury shares) before and after the event.

2.8 **Financial Effects.** The financial effects on the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time, and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Group for the financial year ended 31 December 2018 are based on the assumptions set out below.

2.8.1 Purchase or Acquisition out of Capital or Profits

Where the consideration paid by UOB for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of dividends by UOB will not be reduced.

Where the consideration paid by UOB for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of dividends by UOB.

2.8.2 Number of Shares Acquired or Purchased

The maximum number of Shares which can be purchased by UOB will depend on the number of Shares, excluding treasury shares and subsidiary holdings, of UOB as at the Approval Date. As at the Latest Practicable Date prior to the printing of this Appendix, being 5 March 2019, the issued share capital of UOB comprised 1,665,716,942 Shares, excluding treasury shares and subsidiary holdings.

Purely for illustrative purposes, on the basis of 1,665,716,942 Shares in issue, excluding treasury shares and subsidiary holdings, as at the Latest Practicable Date, not more than 83,285,847 Shares (representing 5% of the Shares in issue, excluding treasury shares and subsidiary holdings, as at that date) may be purchased or acquired by UOB pursuant to the proposed Share Purchase Mandate.

2.8.3 Maximum Price Paid for Shares Acquired or Purchased

Assuming that UOB purchases or acquires the maximum number of Shares at the Maximum Price, the amount of funds required is approximately S\$2,200,412,078 based on S\$26.42 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date) whether it is a Market Purchase or an Off-Market Purchase.

2.8.4 Illustrative Financial Effects

For illustrative purposes only, on the basis of the assumptions set out in paragraphs 2.8.2 and 2.8.3 above, as well as the following:

- (i) the Share Purchase Mandate had been effective on 1 January 2018 and UOB had on 1 January 2018 purchased 83,285,847 Shares (representing 5% of the total Shares in issue as at the Latest Practicable Date, excluding the Shares held in treasury and subsidiary holdings);
- (ii) no Shares were purchased by UOB after the Latest Practicable Date; and
- (iii) the purchase consideration was funded by UOB from excess funds deployed in the inter-bank market with an effective pre-tax yield of 1.82%, being the inter-bank one-month offer rate as at 5 March 2019, and at the tax rate of 17%,

the financial effects on the audited financial accounts of the Group for the financial year ended 31 December 2018 are set out below:

	Before Share Purchases	After Share Purchases ⁽¹⁾
Total Shareholders' equity (S\$'000)	37,623,096	35,389,370
Number of issued and paid-up Shares ('000)	1,665,717	1,582,431
Weighted average number of issued and paid-up Shares ('000)	1,665,171	1,581,885
Net profit attributable to Shareholders (S\$'000)	4,008,001	3,974,687
Financial Ratios		
Net Asset Value (NAV) per Share (S\$) ⁽²⁾	21.31	21.02
Earnings per Share – Basic (S\$) ⁽³⁾	2.34	2.44
Return on Equity (ROE) (%) ⁽³⁾	11.3	11.9
Capital Adequacy Ratio (%)		
– Common Equity Tier 1	13.9	12.9
– Tier 1	14.9	13.9
– Total	17.0	16.0

Notes:

- (1) The above financial effects remain the same irrespective of whether:
 - (a) the purchases of Shares are effected out of capital or profits; and
 - (b) the Shares repurchased are held in treasury or cancelled.
- (2) Capital securities are excluded from the computation.
- (3) Calculated based on profit attributable to equity holders of the Bank net of capital securities distributions.

The financial effects set out above are for illustrative purposes only. Although the Share Purchase Mandate would authorise UOB to purchase or acquire up to 5% of the issued Shares (excluding the Shares held in treasury and subsidiary holdings), UOB may not necessarily purchase or acquire or be able to purchase or acquire any or all of the 5% of the issued Shares (excluding the Shares held in treasury and subsidiary holdings). In addition, UOB may cancel all or part of the Shares repurchased and/or hold all or part of the Shares repurchased as treasury shares.

UOB will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a purchase or acquisition of Shares before execution.

Appendix

Renewal of Share Purchase Mandate

2.9 **Details of Shares Purchased in the last 12 months.** UOB had repurchased 7,349,136 Shares at a total consideration of \$196,875,349 in the 12 months preceding the Latest Practicable Date. The highest price paid and lowest price paid were \$29.88 and \$23.81 respectively.

2.10 **Listing Status of the Shares.** The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed be held by public shareholders. The “public”, as defined in the Listing Manual, refers to persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of a listed company and its subsidiaries, as well as associates (as defined in the Listing Manual) of such persons. As at the Latest Practicable Date, 1,260,140,068 Shares, or approximately 76% of the total Shares (excluding the Shares held in treasury and subsidiary holdings), are held by public shareholders. Assuming UOB had purchased or acquired Shares from the public up to the full 5% limit pursuant to the proposed Share Purchase Mandate on the Latest Practicable Date and these Shares had been held as treasury shares, the number of issued Shares held by public shareholders would be reduced to 1,176,854,221 Shares, or approximately 74% of the total Shares (excluding the Shares held in treasury and subsidiary holdings).

Accordingly, UOB is of the view that there is a sufficient number of Shares in issue held by public shareholders which would permit UOB to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 5% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

2.11 **Shareholding Limits.** Under the Banking Act, Chapter 19 of Singapore (**Banking Act**):

- (i) no person shall enter into any agreement or arrangement, whether oral or in writing and whether express or implied, to act together with any person with respect to the acquisition, holding or disposal of, or the exercise of rights in relation to, their interests in voting shares of an aggregate of 5% or more of the total votes attached to all voting shares in a designated financial institution, without first obtaining the approval of the Minister designated for the purposes of the Banking Act (**Minister**) (**5% Limit**); and
- (ii) no person shall be a 12% controller (as defined below) or a 20% controller (as defined below) of a designated financial institution without first obtaining the approval of the Minister.

UOB will monitor purchases of shares to ensure that the above limits will not be exceeded.

For the purposes of the Banking Act:

“**designated financial institution**” means (i) a bank incorporated in Singapore; or (ii) a financial holding company;

“**total number of issued shares**”, in relation to a company, does not include treasury shares;

“**12% controller**” means a person, not being a 20% controller, who alone or together with his associates, (i) holds not less than 12% of the total number of issued shares in the designated financial institution; or (ii) is in a position to control voting power of not less than 12% in the designated financial institution; and

“**20% controller**” means a person who, alone or together with his associates, (i) holds not less than 20% of the total number of issued shares in the designated financial institution; or (ii) is in a position to control voting power of not less than 20% in the designated financial institution.

For the purposes of the Banking Act, the percentage of the total number of Shares held by a Shareholder (whose Shares were not the subject of a share purchase or acquisition by UOB) and the percentage voting rights of a Shareholder (whose Shares were not the subject of a share purchase or acquisition by UOB) immediately following any purchase or acquisition of Shares will increase should UOB hold in treasury or cancel the Shares purchased or acquired by UOB.

UOB wishes to draw the attention of Shareholders to the following consequences of a purchase or acquisition of Shares by UOB pursuant to the Share Purchase Mandate, if the proposed renewal of the Share Purchase Mandate is approved by Shareholders:

A PURCHASE OR ACQUISITION OF SHARES BY UOB MAY INADVERTENTLY CAUSE THE INTEREST IN THE SHARES OF ANY PERSON TO REACH OR EXCEED THE 5% LIMIT OR CAUSE ANY PERSON TO BECOME A 12% CONTROLLER OR A 20% CONTROLLER.

Shareholders whose shareholdings are close to the limits set out in the Banking Act are advised to seek the prior approval of the Monetary Authority of Singapore (MAS) to continue to hold, on such terms as may be imposed by the MAS, the number of Shares which they may hold in excess of any of such limits, as a consequence of a purchase or acquisition of Shares by UOB. Shareholders who are in doubt as to the action that they should take should consult their professional advisers at the earliest opportunity.

2.12 **Substantial Shareholders' Interests.** The interests of the Substantial Shareholders of the Company in the Shares as at the Latest Practicable Date, as recorded in the Register of Substantial Shareholders, were as follows:

Substantial shareholder	Shareholdings registered in the name of substantial shareholders	Other shareholdings in which substantial shareholders were deemed to have an interest	Total interest	
	No. of shares	No. of shares	No. of shares	%*
Estate of Lien Ying Chow, deceased	316,516	86,099,912 ⁽¹⁾	86,416,428	5.19
Lien Ying Chow Private Limited	–	85,999,165 ⁽¹⁾	85,999,165	5.16
Wah Hin and Company Private Limited	85,988,870	10,295 ⁽²⁾	85,999,165	5.16
Sandstone Capital Pte. Ltd.	10,295	85,988,870 ⁽³⁾	85,999,165	5.16
Wee Cho Yaw	21,599,798	287,113,587 ⁽⁴⁾	308,713,385	18.53
Wee Ee Cheong	3,056,455	173,663,415 ⁽⁴⁾	176,719,870	10.61
Wee Ee Chao	160,231	137,847,174 ⁽⁴⁾	138,007,405	8.29
Wee Ee Lim	1,831,903	173,266,519 ⁽⁴⁾	175,098,422	10.51
Wee Investments (Pte) Limited	133,278,205	194,119	133,472,324	8.01

* Percentage was calculated based on the total number of issued Shares, excluding treasury shares and subsidiary holdings of the Company.

Notes

- (1) Estate of Lien Ying Chow, deceased and Lien Ying Chow Private Limited were each deemed to have an interest in the 85,999,165 Shares in which Wah Hin and Company Private Limited had an interest.
- (2) Wah Hin and Company Private Limited was deemed to have an interest in the 10,295 Shares held by Sandstone Capital Pte. Ltd.
- (3) Sandstone Capital Pte. Ltd. was deemed to have an interest in the 85,988,870 Shares held by Wah Hin and Company Private Limited.
- (4) Wee Cho Yaw, Wee Ee Cheong, Wee Ee Chao and Wee Ee Lim were each deemed to have an interest in Wee Investments (Pte) Limited's total direct and deemed interests of 133,472,324 Shares.

2.13 **Take-over Implications.** Appendix 2 to the Take-over Code contains the Share Buy-back Guidance Note. The take-over implications arising from any purchase or acquisition by UOB of its Shares are set out below.

2.13.1 **Obligation to make a Take-over Offer**

If, as a result of any purchase or acquisition by UOB of its Shares, a Shareholder's proportionate interest in the voting rights of UOB increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a Shareholder or group of Shareholders acting in concert acquiring or consolidating effective control of UOB, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for UOB under Rule 14 of the Take-over Code.



Appendix

Renewal of Share Purchase Mandate

2.13.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

In addition, the Take-over Code presumes certain persons to be acting in concert with each other unless the contrary is established. For example, the following individuals and companies will be presumed to be acting in concert with each other:

- (i) the following companies:
 - (a) a company;
 - (b) the parent company of (a);
 - (c) the subsidiaries of (a);
 - (d) the fellow subsidiaries of (a);
 - (e) the associated companies of any of (a), (b), (c) or (d);
 - (f) companies whose associated companies include any of (a), (b), (c), (d) or (e); and
 - (g) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (ii) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser; and
- (vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;
- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, and any person who is accustomed to act in accordance with his instructions, companies controlled by any of the aforesaid, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

2.13.3 Effect of Rule 14 and Appendix 2

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by UOB are set out in Appendix 2 to the Take-over Code.

In general terms, the effect of Rule 14 and Appendix 2 to the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of UOB purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of UOB's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentage of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 to the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of UOB purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between (and including) 30% and 50% of UOB's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the information in the Register of Shareholders as at the Latest Practicable Date, no Shareholder will be obliged to make a take-over offer for UOB under Rule 14 of the Take-over Code as a result of the purchase or acquisition of Shares by UOB pursuant to the Share Purchase Mandate of the maximum limit of 5% of its Shares.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by UOB should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3. Directors' Recommendation

The Directors are of the opinion that the renewal of the Share Purchase Mandate is in the best interests of UOB. Accordingly, they recommend that Shareholders vote in favour of the proposed ordinary resolution for the renewal of the Share Purchase Mandate at the 77th Annual General Meeting.

4. Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Share Purchase Mandate and UOB and its subsidiaries in relation to the Share Purchase Mandate and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.



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Proxy Form



IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, to speak and to vote at the Annual General Meeting.
2. This proxy form is not valid for use by CPF/SRS investors who have used their CPF/SRS monies to buy UOB shares and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any query regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Meeting dated 3 April 2019.

I/We _____ (Name), NRIC/Passport No. _____
of _____ (Address)

being a member/members of United Overseas Bank Limited (the **Company**), hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or *

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

* Please delete as appropriate

or failing him/them, the **Chairman of the Meeting** as my/our proxy/proxies, to attend, to speak and to vote for me/us on my/our behalf at the **77th Annual General Meeting** of members of the Company, to be held at Pan Pacific Singapore, Pacific 1-3, Level 1, 7 Raffles Boulevard, Marina Square, Singapore 039595 on **Friday, 26 April 2019 at 3.00 pm** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the Meeting and at any adjournment thereof.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
Resolution 1	Financial Statements, Directors' Statement and Auditor's Report		
Resolution 2	Final and Special Dividends		
Resolution 3	Directors' Fees		
Resolution 4	Advisory fee to Dr Wee Cho Yaw, Chairman Emeritus and Adviser		
Resolution 5	Auditor and its remuneration		
Resolution 6	Re-election (Mr James Koh Cher Siang)		
Resolution 7	Re-election (Mr Ong Yew Huat)		
Resolution 8	Re-election (Mr Wee Ee Lim)		
Resolution 9	Authority to issue ordinary shares		
Resolution 10	Authority to issue shares pursuant to the UOB Scrip Dividend Scheme		
Resolution 11	Renewal of Share Purchase Mandate		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this _____ day of _____ 2019.

Shares in:	No. of Shares
(i) Depository Register	
(ii) Register of Members	
Total (Note 1)	

Signature(s) or Common Seal of Shareholder(s)
IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES TO PROXY FORM:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, to speak and to vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which, the appointment shall be invalid.
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, to speak and to vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy, failing which, the appointment shall be invalid.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, #04-20, UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 72 hours before the time appointed for holding the Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by a resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50.
9. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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The Company Secretary
United Overseas Bank Limited
80 Raffles Place, #04-20, UOB Plaza 2
Singapore 048624

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Corporate Information

Board of Directors

Wong Kan Seng (*Chairman*)
Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)
Franklin Leo Lavin¹
Willie Cheng Jue Hiang
James Koh Cher Siang
Ong Yew Huat
Lim Hwee Hua
Alexander Charles Hungate
Michael Lien Jown Leam
Alvin Yeo Khirn Hai
Wee Ee Lim

Audit Committee

Willie Cheng Jue Hiang (*Chairman*)
James Koh Cher Siang
Ong Yew Huat
Alvin Yeo Khirn Hai

Board Risk Management Committee

Ong Yew Huat (*Chairman*)
Wong Kan Seng
Wee Ee Cheong
Alvin Yeo Khirn Hai
Wee Ee Lim

Executive Committee

Wong Kan Seng (*Chairman*)
Wee Ee Cheong
Franklin Leo Lavin¹
Ong Yew Huat
Lim Hwee Hua
Michael Lien Jown Leam

Nominating Committee

Lim Hwee Hua (*Chairman*)
Wong Kan Seng
Wee Ee Cheong
Willie Cheng Jue Hiang
James Koh Cher Siang
Michael Lien Jown Leam

Remuneration and Human Capital Committee

James Koh Cher Siang (*Chairman*)
Wong Kan Seng
Lim Hwee Hua
Alexander Charles Hungate

Secretaries

Joyce Sia Ming Kuang
Theresa Sim Kwee Soik

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360

Internal Auditor

Daniel Ng
Head, Group Audit
United Overseas Bank Limited
396 Alexandra Road #03-09
Singapore 119954

External Auditor

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Winston Ngan
(appointed on 24 April 2014)

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Website: www.UOBgroup.com

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¹ Till 26 April 2019



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