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

Announcement

To: All Shareholders

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

Audited Financial Results for the Financial Year Ended 31 December 2017
Details of the financial results are in the accompanying Group Financial Report.

Dividends and Distributions for the Fourth Quarter Ended 31 December 2017
Ordinary share dividend

The Directors recommend the payment of a final tax-exempt dividend of 45 cents and a special tax-exempt dividend of 20 cents (2016: final dividend of 35 cents) per ordinary share for the financial year ended 31 December 2017. The final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting scheduled for 20 April 2018.

Together with the interim tax-exempt dividend of 35 cents per ordinary share (2016: 35 cents) paid in August 2017, the total net dividend for the financial year ended 31 December 2017 will be S$1.00 (2016: 70 cents) per ordinary share amounting to S$1,661 million (2016: S$1,135 million).

The scrip dividend scheme (the "Scheme") will be applied to the final dividend for the financial year ended 31 December 2017. A separate announcement will be made of the books closure and relevant dates for participation in the Scheme.

Distributions on perpetual capital securities

On 20 November 2017, a semi-annual distribution at an annual rate of 4.00% totalling S$15 million was paid on the Bank's S$750 million 4.00% non-cumulative non-convertible perpetual capital securities for the period from 18 May 2017 up to, but excluding 18 November 2017.

On 20 November 2017, a semi-annual distribution at an annual rate of 4.75% totalling S$12 million was paid on the Bank's S$500 million 4.75% non-cumulative non-convertible perpetual capital securities for the period from 19 May 2017 up to, but excluding 19 November 2017.

Interested Person Transactions

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

Confirmation by Directors

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the audited financial results of the Group for the financial year ended 31 December 2017 to be false or misleading in any material aspect.

Undertakings from Directors and Executive Officers

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

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

Name	**Age**	**Family relationship with any director and/or substantial shareholder**	**Current position and duties, and the year the position was held**	**Details of changes in duties and position held, if any, during the year**
Wee Ee Cheong	65	Son of Dr Wee Cho Yaw, Chairman Emeritus and Adviser	Deputy Chairman & CEO	Nil

BY ORDER OF THE BOARD
UNITED OVERSEAS BANK LIMITED

Ms Joyce Sia
Secretary

Dated this 14th day of February 2018

The results are also available at www.uobgroup.com

Group Financial Report

For the Financial Year/Fourth Quarter ended 31 December 2017

United Overseas Bank Limited
Incorporated in the Republic of Singapore

Contents

Notes:

1 The financial statements are presented in Singapore dollars.

2 Certain comparative figures have been restated to conform with the current period's presentation.

3 Certain figures in this report may not add up to the respective totals due to rounding.

4 Amounts less than $500,000 in absolute term are shown as "0".

"2017" and "2016" denote to the financial year ended 2017 and 2016 respectively.
"4Q17" and "4Q16" denote to fourth quarter of 2017 and 2016 respectively.
"3Q17" denotes to third quarter of 2017.
"NM" denotes not meaningful.
"NA" denotes not applicable.

Financial Highlights

	2017	2016	+/(-) %	4Q17	4Q16	+/(-) %	3Q17	+/(-) %
Selected income statement items ($m)								
Net interest income	**5,528**	4,991	11	**1,461**	1,276	15	1,408	4
Fee and commission income	**2,161**	1,931	12	**585**	531	10	551	6
Other non-interest income	**1,162**	1,140	2	**262**	222	18	279	(6)
Total income	**8,851**	8,061	10	**2,307**	2,028	14	2,238	3
Less: Total expenses	**4,027**	3,696	9	**1,102**	957	15	973	13
Operating profit	**4,824**	4,365	11	**1,205**	1,071	12	1,265	(5)
Less: Total allowance	**727**	594	23	**140**	131	7	221	(36)
Add: Share of profit of associates and joint ventures	**110**	6	>100	**22**	(21)	>100	29	(23)
Net profit before tax	**4,207**	3,777	11	**1,087**	920	18	1,073	1
Less: Tax and non-controlling interests	**816**	681	20	**231**	181	28	190	22
Net profit after tax [1]	**3,390**	3,096	9	**855**	739	16	883	(3)
Selected balance sheet items ($m)								
Net customer loans	**232,212**	221,734	5	**232,212**	221,734	5	230,068	1
Customer deposits	**272,765**	255,314	7	**272,765**	255,314	7	268,296	2
Total assets	**358,592**	340,028	5	**358,592**	340,028	5	354,143	1
Shareholders' equity [1]	**36,850**	32,873	12	**36,850**	32,873	12	35,147	5
Key financial ratios (%)								
Net interest margin [2]	**1.77**	1.71		**1.81**	1.69		1.79	
Non-interest income/Total income	**37.5**	38.1		**36.7**	37.1		37.1	
Expense/Income ratio	**45.5**	45.9		**47.8**	47.2		43.5	
Overseas profit before tax contribution	**40.8**	37.4		**37.9**	36.9		37.7	
Credit costs (bp) [2]								
Exclude general allowance	**61**	45		**125**	76		37	
Include general allowance	**28**	32		**17**	32		32	
NPL ratio [3]	**1.8**	1.5		**1.8**	1.5		1.6	

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

Financial Highlights *(cont'd)*

	2017	2016	**4Q17**	4Q16	3Q17
Key financial ratios (%) *(cont'd)*					
Return on average ordinary shareholders' equity [1,2]	**10.2**	10.2	**9.8**	9.4	10.5
Return on average total assets [1]	**0.98**	0.95	**0.97**	0.89	1.02
Return on average risk-weighted assets [1]	**1.63**	1.51	**1.69**	1.40	1.69
Loan/Deposit ratio [3]	**85.1**	86.8	**85.1**	86.8	85.8
Liquidity coverage ratios ("LCR") [4]					
All-currency	**147**	154	**135**	162	142
Singapore dollar	**200**	221	**170**	275	196
Capital adequacy ratios					
Common Equity Tier 1	**15.1**	13.0	**15.1**	13.0	14.3
Tier 1	**16.2**	13.1	**16.2**	13.1	14.8
Total	**18.7**	16.2	**18.7**	16.2	17.8
Leverage ratio [5]	**8.0**	7.4	**8.0**	7.4	7.7
Earnings per ordinary share ($) [1,2]					
Basic	**1.99**	1.86	**1.98**	1.75	2.07
Diluted	**1.98**	1.85	**1.98**	1.74	2.06
Net asset value ("NAV") per ordinary share ($) [6]	**20.37**	18.82	**20.37**	18.82	19.88
Revalued NAV per ordinary share ($) [6]	**23.19**	21.54	**23.19**	21.54	22.62

Notes:

1 Computed on an annualised basis.

2 Calculated based on profit attributable to equity holders of the Bank net of preference share dividend and perpetual capital securities distributions.

3 Refer to net customer loans and customer deposits.

4 Figures reported are based on average LCR for the respective period. A minimum requirement of Singapore dollar LCR of 100% and all-currency LCR of 60% shall be maintained at all times with effect from 1 January 2015, with all-currency LCR increasing by 10% each year to 100% by 2019. Public disclosure required under MAS Notice 651 is available in the UOB website at www.UOBGroup.com/investor/financial/overview.html.

5 Leverage ratio is calculated based on the MAS Notice 637.

6 Preference shares and perpetual capital securities are excluded from the computation.

Performance Review

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, with modification to FRS39 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.

The revised FRS applicable to the Group with effect from 1 January 2017 are listed below. The adoption of these FRS did not have a significant impact on the financial statements of the Group.

- Amendments to FRS 7 - Disclosure Initiative
- Amendments to FRS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

Other than the above changes, the accounting policies and computation methods adopted in the financial statements for the financial year ended 31 December 2017 are the same as those adopted in the audited financial statements for the financial year ended 31 December 2016.

2017 versus 2016

The Group registered net earnings of $3.39 billion, 9% higher than a year ago.

On the back of higher net interest margin and healthy loan growth of 5%, net interest income rose 11% to $5.53 billion. Net interest margin increased six basis points to 1.77%, mainly attributed to higher yields from interbank balances and securities, a function of both our measured efforts in deploying excess funds into higher-yielding assets and a rising interest rate environment.

Fee and commission income registered a robust growth of 12% to $2.16 billion. Wealth management fees grew strongly by 36% to $547 million, driven by higher sales of treasury products and unit trusts. Fund management income increased 28% to $239 million and credit card fees rose 10% to $404 million. Higher net gains from the disposal of investment securities also contributed to the increase in other non-interest income to $1.16 billion.

From a business segment perspective, Group Retail income rose 9% to $3.99 billion driven by healthy loan growth and fee income growth from the wealth management and credit card businesses. Group Wholesale Banking income was stable, as volume growth was offset by tighter margins. Global Markets income fell 12% to $486 million largely due to lower trading income.

Due to a combination of strong revenue momentum and continued cost discipline, the expense-to-income ratio declined slightly to 45.5%. Total expenses increased 9% over last year with higher staff costs, IT-related and revenue-related expenses, reflecting the Group’s continual efforts in investing in talent, technology and infrastructure to enhance its product capabilities and services.

Specific allowance on loans and other assets increased 49% to $1.48 billion. As part of our ongoing portfolio assessment, the residual vulnerable exposures in the oil and gas and shipping sectors were recognised as non-performing assets ("NPA") with collateral valuation marked down in 4Q17, thereby reducing lingering credit risks to the Group. Total allowances amounted to $727 million, as excess general allowance of $747 million was reversed, factoring in allowance requirements under the Singapore Financial Reporting Standard (International) 9 Financial Instruments ("SFRS(I) 9").

Despite the reversal in general allowance, the Group continued to maintain a comfortable level of general allowance on loans of $1.96 billion as at 31 December 2017. This amount adequately satisfies the 1% general allowance requirement by the MAS as well as the expected credit loss requirements under the SFRS(I) 9 which came into effect on 1 January 2018.

Contribution from associated companies rose from $6 million to $110 million, mainly due to investment losses in an associated company in the prior year.

Performance Review *(cont'd)*

4Q17 versus 4Q16

The Group reported net earnings of $855 million in 4Q17, 16% higher from a year ago, led by healthy growth in net interest income, fee and commission income and net trading income. The increase was partly offset by higher operating expenses and allowances.

Net interest income rose 15% to $1.46 billion, contributed by higher net interest margin and loan growth. Net interest margin improved 12 basis points to 1.81%, attributed to active balance sheet management and a rising interest rate environment.

Non-interest income increased 12% to $846 million. Fee and commission income grew 10% to $585 million, as a result of strong growth in the wealth management, fund management and credit card businesses. Trading and investment income increased 18% to $198 million contributed mainly by higher net trading income.

Total expenses increased 15% from a year ago to $1.10 billion due to higher performance-related staff costs, IT-related and revenue-related expenses. The expense-to-income ratio increased slightly to 47.8%.

Specific allowance on loans and other assets increased to $781 million as a result of portfolio and collateral valuation review mentioned above. With a reversal of $641 million of excess general allowance on loans, total allowances amounted to $140 million for this quarter.

4Q17 versus 3Q17

Compared with the previous quarter, net earnings were 3% lower at $855 million.

Net interest income grew 4% to $1.46 billion, driven by higher asset volumes coupled with a net interest margin increase of two basis points to 1.81%.

Non-interest income increased 2% to $846 million. Fee and commission income rose 6% to $585 million largely on higher loan-related and credit card fees. This was partly offset by lower net gains from disposal of investment securities.

Total expenses increased 13% to $1.10 billion due to higher performance-related staff costs, and year-end seasonal revenue-related and professional fees expenses, resulting in an increase in the expense-to-income ratio to 47.8% this quarter.

Total allowances were 36% lower this quarter at $140 million. Specific allowance on loans and other assets increased to $781 million largely from NPA in oil and gas and shipping sectors, while the general allowance reversal increased to $641 million.

Balance sheet and capital position

Due to the one-off accelerated recognition of NPA on oil and gas and shipping exposures, the Group's NPA increased 26% year-on-year and 12% from the previous quarter to $4.39 billion. Consequently, non-performing loans ("NPL") ratio stood at 1.8% as at 31 December 2017, while NPL coverage remained strong at 91%, or 195% after taking collateral into account.

The Group continued to maintain a strong funding position with a healthy loan-to-deposit ratio at 85.1%. Gross loans increased to $236 billion at 31 December 2017, with a year-on-year increase of 5% that was broad-based across most territories and industries. Customer deposits grew 7% from a year ago to $273 billion, led by growth in US dollar deposits.

During the year, the Group issued $4.13 billion in debt and perpetual capital securities to diversify its funding mix and refinance its debts due for redemption.

The average Singapore dollar and all-currency liquidity coverage ratios during 4Q17 were 170% and 135% respectively, well above the corresponding regulatory requirements of 100% and 80%.

Shareholders' equity increased 12% from a year ago and 5% quarter on quarter to $36.9 billion due to higher retained earnings, issuance of US$650 million perpetual capital securities and shareholders' participation in the scrip dividend scheme.

As at 31 December 2017, the Group's Common Equity Tier 1 and Total CAR remained strong at 15.1% and 18.7% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR rose to 14.7% from 12.1% a year ago. The Group's leverage ratio was 8.0%, well above Basel's minimum requirement of 3%.

Net Interest Income

Net interest margin

	2017			2016		
	Average balance	**Interest**	**Average rate**	Average balance	Interest	Average rate
	$m	**$m**	**%**	$m	$m	%
Interest bearing assets						
Customer loans	**227,666**	**7,474**	**3.28**	213,016	7,118	3.34
Interbank balances	**58,869**	**997**	**1.69**	49,656	637	1.28
Securities	**25,650**	**605**	**2.36**	29,135	536	1.84
Total	**312,185**	**9,077**	**2.91**	291,807	8,291	2.84
Interest bearing liabilities						
Customer deposits	**264,516**	**3,018**	**1.14**	252,293	2,878	1.14
Interbank balances/others	**36,270**	**531**	**1.46**	32,054	422	1.32
Total	**300,786**	**3,548**	**1.18**	284,347	3,300	1.16
Net interest margin [1]			**1.77**			1.71

	4Q17			4Q16			3Q17		
	Average balance	**Interest**	**Average rate**	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	**$m**	**%**	$m	$m	%	$m	$m	%
Interest bearing assets									
Customer loans	**231,490**	**1,934**	**3.31**	221,293	1,787	3.21	227,610	1,899	3.31
Interbank balances	**63,480**	**291**	**1.82**	48,888	171	1.39	62,158	276	1.76
Securities	**25,045**	**161**	**2.55**	30,007	150	1.98	23,086	146	2.50
Total	**320,015**	**2,386**	**2.96**	300,187	2,108	2.79	312,854	2,321	2.94
Interest bearing liabilities									
Customer deposits	**269,724**	**792**	**1.17**	254,062	712	1.12	265,940	778	1.16
Interbank balances/others	**36,711**	**133**	**1.44**	37,214	120	1.28	34,757	134	1.53
Total	**306,435**	**926**	**1.20**	291,276	832	1.14	300,697	912	1.20
Net interest margin [1]			**1.81**			1.69			1.79

Note:

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

Net Interest Income *(cont'd)*

Volume and rate analysis

	2017 vs 2016			4Q17 vs 4Q16			4Q17 vs 3Q17		
	Volume change	Rate change	Net change	Volume change	Rate change	Net change	Volume change	Rate change	Net change
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Interest income									
Customer loans	490	(133)	356	82	65	147	32	2	35
Interbank balances	118	242	360	51	69	120	6	10	15
Securities	(64)	133	69	(25)	36	11	12	3	15
Total	544	242	786	109	170	279	51	15	66
Interest expense									
Customer deposits	139	1	140	44	36	80	11	3	14
Interbank balances/others	56	53	108	(2)	15	14	8	(8)	(1)
Total	195	54	249	42	51	93	19	(5)	13
Change in number of days	-	-	-	-	-	-	-	-	-
Net interest income	349	189	537	66	119	185	32	20	52

For 2017, net interest income rose 11% to $5.53 billion from a year ago on the back of higher net interest margin and healthy loan growth of 5%. Net interest margin increased six basis points to 1.77%, mainly attributed to higher yields from interbank balances and securities, a function of both our measured efforts in deploying excess funds into higher-yielding assets and a rising interest rate environment.

Net interest income for 4Q17 rose 15% from a year ago to $1.46 billion, contributed by higher net interest margin and loan growth. Net interest margin improved 12 basis points to 1.81%, attributed to active balance sheet management and a rising interest rate environment.

Quarter-on-quarter, net interest income grew 4%, driven by higher asset volumes coupled with a net interest margin increase of two basis points to 1.81%.

Non-Interest Income

	2017	2016	+/(-)	4Q17	4Q16	+/(-)	3Q17	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Fee and commission income								
Credit card	**404**	368	10	**111**	103	8	103	8
Fund management	**239**	188	28	**67**	52	28	62	8
Wealth management	**547**	403	36	**142**	110	29	143	(1)
Loan-related [1]	**471**	482	(2)	**133**	134	(0)	122	9
Service charges	**148**	134	11	**41**	39	5	35	18
Trade-related [2]	**272**	263	3	**72**	68	6	68	6
Others	**80**	93	(14)	**18**	25	(27)	18	1
	2,161	1,931	12	**585**	531	10	551	6
Other non-interest income								
Net trading income	**775**	776	(0)	**186**	168	11	164	14
Net gain/(loss) from investment securities	**127**	101	26	**12**	1	>100	57	(79)
Dividend income	**23**	31	(25)	**1**	1	(25)	3	(67)
Rental income	**119**	118	1	**30**	30	(2)	29	1
Other income	**117**	114	3	**32**	21	52	26	25
	1,162	1,140	2	**262**	222	18	279	(6)
Total	**3,323**	3,071	8	**846**	753	12	830	2

Fee and commission income for 2017 registered a robust growth of 12% to $2.16 billion. Wealth management fees grew strongly by 36% to $547 million, driven by higher sales of treasury products and unit trusts. Fund management income increased 28% to $239 million and credit card fees rose 10% to $404 million. Higher net gains from the disposal of investment securities also contributed to the increase in other non-interest income to $1.16 billion.

Against same quarter last year, non-interest income increased 12% to $846 million. Fee and commission income grew 10% to $585 million, as a result of the strong growth in wealth management, fund management and credit card businesses. Trading and investment income increased 18% to $198 million contributed mainly by higher net trading income.

Quarter-on-quarter, non-interest income increased 2%. Fee and commission income rose 6% to $585 million largely on higher loan-related and credit card fees. This was partly offset by lower net gains from disposal of investment securities.

Notes:

1 Loan-related fees include fees earned from corporate finance activities.

2 Trade-related fees include trade, remittance and guarantees related fees.

Operating Expenses

	2017	2016	+/(-)	4Q17	4Q16	+/(-)	3Q17	+/(-)
	$m	$m	%	$m	$m	%	$m	%
Staff costs	**2,224**	2,050	8	**608**	514	18	543	12
Other operating expenses								
Revenue-related	**889**	826	8	**246**	227	8	220	12
Occupancy-related	**332**	324	3	**86**	80	8	82	5
IT-related	**365**	286	28	**98**	70	40	90	9
Others	**217**	210	3	**65**	66	(2)	38	70
	1,803	1,646	10	**494**	443	11	430	15
Total	**4,027**	3,696	9	**1,102**	957	15	973	13
Of which,								
Depreciation of assets	**258**	222	16	**70**	59	20	63	11
Manpower (number)	**25,137**	24,853	284	**25,137**	24,853	284	24,898	239

Due to a combination of strong revenue momentum and continued cost discipline, the expense-to-income ratio for the year declined slightly to 45.5%. Total expenses increased 9% over last year with higher staff costs, IT-related and revenue-related expenses, reflecting the Group’s continual efforts in investing in talent, technology and infrastructure to enhance its product capabilities and services.

As compared to same quarter last year, total expenses increased 15% from a year ago to $1.10 billion due to higher performance-related staff costs, IT-related and revenue-related expenses. The expense-to-income ratio increased slightly to 47.8%.

Quarter-on-quarter, total expenses increased 13% due to higher performance-related staff costs, and year-end seasonal revenue-related and professional fees expenses, resulting in an increase in the expense-to-income ratio to 47.8% this quarter.

Allowance for Credit and Other Losses

	2017	2016	+/(-)	4Q17	4Q16	+/(-)	3Q17	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Specific allowance on loans [1]								
Singapore	**733**	516	42	**359**	171	>100	107	>100
Malaysia	**177**	57	>100	**81**	33	>100	19	>100
Thailand	**131**	88	49	**50**	37	34	28	76
Indonesia	**258**	125	>100	**204**	65	>100	4	>100
Greater China [2]	**39**	168	(77)	**1**	107	(99)	41	(98)
Others	**68**	15	>100	**50**	14	>100	15	>100
	1,407	969	45	**744**	428	74	214	>100
Specific allowance on securities and others	**68**	22	>100	**37**	13	>100	33	12
General allowance	**(747)**	(398)	(88)	**(641)**	(310)	(>100)	(26)	(>100)
Total	**727**	594	23	**140**	131	7	221	(36)

For 2017, specific allowance on loans and other assets increased 49% to $1.48 billion, mainly from NPA in the oil and gas and shipping sectors. Specifically, a prudent decision was taken to accelerate the recognition of these residual vulnerable exposures as NPA in 4Q17, and further haircuts were applied on their collateral valuations. With a reversal of $747 million of excess general allowance for the year, total allowances amounted to $727 million.

Despite the reversal in general allowance, the Group continued to maintain a comfortable level of general allowance on loans of $1.96 billion as at 31 December 2017. This amount adequately satisfies the 1% general allowance requirement by the MAS as well as the expected credit loss requirements under the SFRS(I) 9 which came into effect on 1 January 2018.

Compared to the same quarter last year, specific allowance on loans and other assets increased to $781 million as a result of portfolio and collateral valuation review mentioned above. With a reversal of $641 million of excess general allowance on loans, total allowances amounted to $140 million for this quarter.

Quarter-on-quarter, total allowances were 36% lower this quarter at $140 million. Specific allowances on loans and other assets increased to $781 million largely from NPA in oil and gas and shipping sectors, while the general allowance reversal increased to $641 million.

Notes:
1 Specific allowance on loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).
2 Comprise China, Hong Kong and Taiwan.

Customer Loans

	Dec-17	Sep-17	Dec-16
	$m	$m	$m
Gross customer loans	**236,028**	234,115	225,662
Less: Specific allowance	**1,855**	1,452	1,219
General allowance	**1,961**	2,595	2,709
Net customer loans	**232,212**	230,068	221,734
By industry			
Transport, storage and communication	**9,388**	9,704	9,780
Building and construction	**53,646**	53,688	52,281
Manufacturing	**18,615**	18,949	15,747
Financial institutions, investment and holding companies	**19,090**	18,131	15,519
General commerce	**30,664**	30,317	30,269
Professionals and private individuals	**28,182**	27,812	26,950
Housing loans	**65,569**	63,918	61,451
Others	**10,874**	11,594	13,665
Total (gross)	**236,028**	234,115	225,662
By currency			
Singapore dollar	**115,750**	114,823	112,160
US dollar	**44,507**	45,409	45,079
Malaysian ringgit	**24,000**	23,296	22,993
Thai baht	**14,006**	13,385	12,423
Indonesian rupiah	**4,853**	5,162	5,401
Others	**32,912**	32,039	27,606
Total (gross)	**236,028**	234,115	225,662
By maturity [1]			
Within 1 year	**92,969**	92,149	80,940
Over 1 year but within 3 years	**42,828**	41,627	43,665
Over 3 years but within 5 years	**24,851**	26,130	27,655
Over 5 years	**75,379**	74,209	73,402
Total (gross)	**236,028**	234,115	225,662
By geography [2]			
Singapore	**127,602**	127,241	125,529
Malaysia	**26,948**	26,220	25,767
Thailand	**14,977**	14,443	13,226
Indonesia	**10,718**	11,276	11,857
Greater China	**32,301**	31,588	27,232
Others	**23,482**	23,347	22,051
Total (gross)	**236,028**	234,115	225,662

As at 31 December 2017, gross loans rose 5% from a year ago to $236 billion driven by broad-based increase across most territories and industries. Compared to previous quarter, gross loans increased by 1%.

Singapore loans was $128 billion as at 31 December 2017, an increase of 2% year-on-year, while regional countries contributed a strong growth of 9% in the same period.

Notes:

1 Certain comparative figures have been restated to conform with the current period's presentation.

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

Non-Performing Assets

	Dec-17	Sep-17	Dec-16
	$m	$m	$m
Loans ("NPL")	**4,211**	3,748	3,328
Debt securities and others	**178**	171	152
Non-Performing Assets ("NPA")	**4,389**	3,919	3,480
By grading			
Substandard	**2,411**	2,325	2,185
Doubtful	**128**	435	270
Loss	**1,850**	1,159	1,025
Total	**4,389**	3,919	3,480
By security			
Secured by collateral type:			
Properties	**1,771**	1,458	1,177
Shares and debentures	**8**	8	39
Fixed deposits	**12**	12	11
Others [1]	**467**	565	613
	2,258	2,043	1,840
Unsecured	**2,131**	1,876	1,640
Total	**4,389**	3,919	3,480
By ageing			
Current	**936**	537	343
Within 90 days	**600**	661	285
Over 90 to 180 days	**735**	460	646
Over 180 days	**2,118**	2,261	2,206
Total	**4,389**	3,919	3,480
Total allowance			
Specific	**2,014**	1,580	1,322
General	**1,976**	2,610	2,724
Total	**3,990**	4,190	4,046

	NPL	**NPL ratio**	NPL	NPL ratio	NPL	NPL ratio
	$m	**%**	$m	%	$m	%
NPL by industry						
Transport, storage and communication	**1,209**	**12.9**	1,254	12.9	965	9.9
Building and construction	**428**	**0.8**	317	0.6	210	0.4
Manufacturing	**638**	**3.4**	434	2.3	316	2.0
Financial institutions, investment and holding companies	**92**	**0.5**	78	0.4	76	0.5
General commerce	**485**	**1.6**	587	1.9	451	1.5
Professionals and private individuals	**295**	**1.0**	283	1.0	284	1.1
Housing loans	**677**	**1.0**	622	1.0	618	1.0
Others	**387**	**3.6**	173	1.5	408	3.0
Total	**4,211**	**1.8**	3,748	1.6	3,328	1.5

Note:
1 Comprise mainly of marine vessels.

Non-Performing Assets *(cont'd)*

NPL by geography [1]	NPA/NPL	NPL ratio	Specific allowance	Total allowance as a % of NPA/NPL	Total allowance as a % of unsecured NPA/NPL
	$m	%	$m	%	%
Singapore					
Dec-17	**2,058**	**1.6**	**934**	**97**	**207**
Sep-17	1,675	1.3	696	144	316
Dec-16	1,291	1.0	468	180	387
Malaysia					
Dec-17	**585**	**2.2**	**220**	**107**	**249**
Sep-17	563	2.1	153	99	275
Dec-16	487	1.9	82	104	377
Thailand					
Dec-17	**439**	**2.9**	**157**	**94**	**244**
Sep-17	386	2.7	145	106	265
Dec-16	360	2.7	134	106	268
Indonesia					
Dec-17	**694**	**6.5**	**312**	**59**	**132**
Sep-17	608	5.4	208	48	116
Dec-16	638	5.4	208	45	134
Greater China					
Dec-17	**132**	**0.4**	**76**	**151**	**262**
Sep-17	244	0.8	143	106	141
Dec-16	307	1.1	230	107	140
Others					
Dec-17	**303**	**1.3**	**156**	**55**	**90**
Sep-17	272	1.2	107	43	75
Dec-16	245	1.1	97	44	62
Group NPL					
Dec-17	**4,211**	**1.8**	**1,855**	**91**	**195**
Sep-17	3,748	1.6	1,452	108	236
Dec-16	3,328	1.5	1,219	118	262
Debt securities and others					
Dec-17	**178**		**159**	**98**	**101**
Sep-17	171		128	84	88
Dec-16	152		103	78	82
Group NPA					
Dec-17	**4,389**		**2,014**	**91**	**187**
Sep-17	3,919		1,580	107	223
Dec-16	3,480		1,322	116	247

Due to the one-off accelerated recognition of NPA on oil and gas and shipping exposures, the Group's NPA increased 26% year-on-year and 12% from the previous quarter to $4.39 billion.

Consequently, non-performing loans ("NPL") ratio stood at 1.8% as at 31 December 2017, while NPL coverage remained strong at 91%, or 195% after taking collateral into account.

Note:
1 Non-performing 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).

Customer Deposits

	Dec-17	Sep-17	Dec-16
	$m	$m	$m
By product			
Fixed deposits	**139,257**	140,590	133,966
Savings deposits	**66,404**	64,984	61,951
Current accounts	**57,570**	54,171	51,690
Others	**9,534**	8,552	7,707
Total	**272,765**	268,296	255,314
By maturity			
Within 1 year	**268,233**	263,435	249,750
Over 1 year but within 3 years	**2,545**	2,739	3,589
Over 3 years but within 5 years	**1,174**	1,038	978
Over 5 years	**813**	1,083	997
Total	**272,765**	268,296	255,314
By currency			
Singapore dollar	**123,806**	122,832	122,736
US dollar	**67,739**	68,251	59,425
Malaysian ringgit	**26,475**	26,199	25,295
Thai baht	**15,317**	15,024	13,049
Indonesian rupiah	**5,119**	5,311	5,741
Others	**34,308**	30,679	29,068
Total	**272,765**	268,296	255,314
Group Loan/Deposit ratio (%)	**85.1**	85.8	86.8
Singapore dollar Loan/Deposit ratio (%)	**92.3**	91.9	89.7
US dollar Loan/Deposit ratio (%)	**63.9**	65.3	74.6

Customer deposits grew to $273 billion as at 31 December 2017, an increase of 7% year-on-year and 2% quarter-on-quarter. The year-on-year increase was led by growth in US dollar deposits.

As at 31 December 2017, the Group's loan-to-deposit ratio and Singapore dollar loan-to-deposit ratio remained healthy at 85.1% and 92.3% respectively.

Debts Issued

	Dec-17	Sep-17	Dec-16
	$m	$m	$m
Unsecured			
Subordinated debts	**4,827**	5,529	5,926
Commercial papers	**13,674**	13,750	14,364
Fixed and floating rate notes	**2,630**	2,280	3,408
Others	**1,801**	1,829	1,687
Secured			
Covered bonds	**2,247**	2,268	758
Total	**25,178**	25,655	26,143
Due within 1 year	**14,807**	14,636	16,172
Due after 1 year	**10,371**	11,019	9,971
Total	**25,178**	25,655	26,143

Shareholders' Equity

	Dec-17	Sep-17	Dec-16
	$m	$m	$m
Shareholders' equity	**36,850**	35,147	32,873
Add: Revaluation surplus	**4,679**	4,546	4,456
Shareholders' equity including revaluation surplus	**41,529**	39,693	37,329

Shareholders' equity rose 12% from a year ago and 5% over the previous quarter to $36.9 billion as at 31 December 2017 due to higher retained earnings, issuance of US$650 million perpetual capital securities and shareholders' participation in the scrip dividend scheme.

As at 31 December 2017, revaluation surplus of $4.68 billion relating to the Group's properties, was not recognised in the financial statements.

Changes in Issued Shares of the Bank

	Number of shares			
	2017	2016	4Q17	4Q16
	'000	'000	'000	'000
Ordinary shares				
Balance at beginning of period	**1,646,966**	1,614,544	**1,671,534**	1,646,966
Shares issued under scrip dividend scheme	**24,568**	32,422	**-**	-
Balance at end of period	**1,671,534**	1,646,966	**1,671,534**	1,646,966
Treasury shares				
Balance at beginning of period	**(11,274)**	(12,281)	**(9,299)**	(11,799)
Shares issued under share-based compensation plans	**2,395**	1,007	**420**	525
Balance at end of period	**(8,879)**	(11,274)	**(8,879)**	(11,274)
Ordinary shares net of treasury shares	**1,662,655**	1,635,692	**1,662,655**	1,635,692

Performance by Business Segment

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.

Profit before tax increased 8% to $1,763 million from a year ago. Total income rose 9%, driven by double digit growth in fee income from wealth management and credit card products. Net interest income grew 5% with higher loan and deposit volumes, partly offset by lower loan margin. Expenses were 10% higher from ongoing investments to support retail franchise growth. Total allowances increased $29 million to $218 million.

Compared to the same quarter last year, profit before tax grew 5% to $420 million, led by strong performance from wealth management and credit card products, partly offset by higher staff and revenue related expenses. Profit before tax declined 7% against the previous quarter as the growth in fee income was more than offset by higher staff and year end seasonal revenue-related expenses.

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

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

Operating profit was relatively flat at $2,713 million as compared to a year ago. Total income grew 1% as higher net interest income from volume growth was partially offset by loan margin compression on the back of price competition and widening SOR against SIBOR. Expenses increased 7% to $848 million, primarily from technology related costs and talent acquisition. Profit before tax declined 25% to $1,437 million due to increase in specific allowances from conservative collateral markdown and accelerated NPA recognition of oil and gas and shipping exposures.

Against the same quarter last year and previous quarter, operating profit declined 4% and 1% respectively to $685 million due to higher investments in staff and product capabilities.

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

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

Compared to a year ago, profit before tax declined 30% to $186 million. Total income fell 12% mainly due to lower contribution from trading income and unfavourable foreign exchange movements. Expenses rose 4% to $301 million, mainly from staff related costs.

As compared to the same quarter last year, profit before tax fell 42% to $27 million. Total income remained relatively flat while expenses grew 29% from higher staff and revenue-related expenses. Profit before tax was little changed at $27 million against the previous quarter. Total income rose 16% supported by double digit growth in net interest income and increased contribution from trading activities offset by higher expenses.

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.

Others segment recorded a gain of $821 million as compared to a loss before tax of $44 million a year ago, driven by higher income from central treasury activities, fund management, improvement in share of associates' profits and reversal of excess general allowances over the SFRS(I) 9 requirements.

As compared to the last quarter and same quarter last year, profit before tax was higher at $686 million, attributable to higher income from central treasury activities and writeback of general allowances no longer needed.

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

Selected income statement items	GR	GWB	GM	Others	Total
	$m	$m	$m	$m	$m
2017					
Net interest income	**2,550**	**2,471**	**238**	**269**	**5,528**
Non-interest income	**1,438**	**1,090**	**248**	**547**	**3,323**
Operating income	**3,988**	**3,561**	**486**	**816**	**8,851**
Operating expenses	**(2,007)**	**(848)**	**(301)**	**(871)**	**(4,027)**
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**	**186**	**821**	**4,207**
Tax					**(800)**
Profit for the financial period					**3,407**
Other information:					
Capital expenditure	**43**	**25**	**9**	**272**	**349**
Depreciation of assets	**22**	**12**	**7**	**217**	**258**
2016					
Net interest income	2,436	2,443	162	(50)	4,991
Non-interest income	1,211	1,097	393	370	3,071
Operating income	3,647	3,540	555	319	8,061
Operating expenses	(1,827)	(793)	(291)	(785)	(3,696)
Allowance for credit and other losses	(189)	(826)	3	418	(594)
Share of profit of associates and joint ventures	-	2	-	4	6
Profit before tax	1,631	1,923	267	(44)	3,777
Tax					(669)
Profit for the financial period					3,108
Other information:					
Capital expenditure	32	27	13	311	383
Depreciation of assets	18	9	5	190	222

Notes:

1 Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

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

Selected income statement items	**GR**	**GWB**	**GM**	**Others**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
4Q17					
Net interest income	**643**	**630**	**62**	**126**	**1,461**
Non-interest income	**380**	**287**	**53**	**126**	**846**
Operating income	**1,023**	**917**	**115**	**252**	**2,307**
Operating expenses	**(545)**	**(232)**	**(89)**	**(236)**	**(1,102)**
Allowance for credit and other losses	**(58)**	**(734)**	**1**	**651**	**(140)**
Share of profit of associates and joint ventures	**-**	**3**	**-**	**19**	**22**
Profit before tax	**420**	**(46)**	**27**	**686**	**1,087**
Tax					**(226)**
Profit for the financial period					**861**
Other information:					
Capital expenditure	**10**	**7**	**3**	**77**	**97**
Depreciation of assets	**6**	**3**	**2**	**59**	**70**
3Q17					
Net interest income	645	625	48	90	1,408
Non-interest income	371	274	51	134	830
Operating income	1,016	899	99	224	2,238
Operating expenses	(505)	(207)	(71)	(190)	(973)
Allowance for credit and other losses	(59)	(190)	-	28	(221)
Share of profit of associates and joint ventures	-	1	-	28	29
Profit before tax	452	503	28	90	1,073
Tax					(187)
Profit for the financial period					886
Other information:					
Capital expenditure	12	6	2	66	86
Depreciation of assets	6	3	2	52	63
4Q16					
Net interest income	628	618	55	(25)	1,276
Non-interest income	322	293	60	78	753
Operating income	950	911	115	52	2,028
Operating expenses	(488)	(201)	(69)	(199)	(957)
Allowance for credit and other losses	(61)	(399)	-	329	(131)
Share of profit of associates and joint ventures	-	-	-	(21)	(21)
Profit before tax	401	311	46	162	920
Tax					(177)
Profit for the financial period					742
Other information:					
Capital expenditure	12	9	4	102	127
Depreciation of assets	5	3	1	50	59

Notes:
1 Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.
2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

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

Selected balance sheet items	**GR**	**GWB**	**GM**	**Others**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
At 31 December 2017					
Segment assets	**103,809**	**161,256**	**59,026**	**29,165**	**353,256**
Intangible assets	**1,316**	**2,086**	**659**	**81**	**4,142**
Investment in associates and joint ventures	**-**	**122**	**-**	**1,072**	**1,194**
Total assets	**105,125**	**163,464**	**59,685**	**30,318**	**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**
At 30 September 2017					
Segment assets	101,599	159,234	58,704	29,285	348,822
Intangible assets	1,317	2,087	660	80	4,144
Investment in associates and joint ventures	-	102	-	1,075	1,177
Total assets	102,916	161,423	59,364	30,440	354,143
Segment liabilities	132,314	141,300	36,413	8,787	318,814
Other information:					
Gross customer loans	101,377	132,605	100	33	234,115
Non-performing assets	1,089	2,814	16	-	3,919
At 31 December 2016					
Segment assets	97,788	153,258	48,455	35,267	334,768
Intangible assets	1,319	2,090	661	81	4,151
Investment in associates and joint ventures	-	79	-	1,030	1,109
Total assets	99,107	155,427	49,116	36,378	340,028
Segment liabilities	127,114	127,485	33,571	18,816	306,986
Other information:					
Gross customer loans	97,570	127,956	128	8	225,662
Non-performing assets	1,059	2,400	16	5	3,480

Notes:
1 Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.
2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

Performance by Geographical Segment [1]

	2017	2016	4Q17	4Q16	3Q17
	$m	$m	$m	$m	$m
Total operating income					
Singapore	**5,090**	4,590	**1,321**	1,118	1,293
Malaysia	**1,014**	986	**269**	245	249
Thailand	**933**	830	**250**	220	242
Indonesia	**468**	476	**114**	124	115
Greater China	**757**	648	**198**	173	190
Others	**589**	531	**154**	149	150
Total	**8,851**	8,061	**2,307**	2,028	2,238
Profit before tax					
Singapore	**2,491**	2,364	**675**	581	668
Malaysia	**581**	548	**129**	136	144
Thailand	**218**	193	**58**	49	63
Indonesia	**29**	71	**(3)**	4	(12)
Greater China	**419**	300	**103**	91	102
Others	**469**	301	**125**	59	107
Total	**4,207**	3,777	**1,087**	920	1,073

Total operating income registered a growth of 10% year-on-year to $8.85 billion and 14% for 4Q17 to $2.31 billion from a year ago led by the growth in Singapore, Thailand and Greater China. Total operating income for 4Q17 was 3% higher compared to the previous quarter.

Profit before tax for 2017 grew 11% year-on-year to $4.21 billion driven by broad-based growth across most of the geographical segments. Profit before tax for 4Q17 rose 18% from a year ago largely from Singapore and overseas associated companies.

	Dec-17	Sep-17	Dec-16
	$m	$m	$m
Total assets			
Singapore	**217,979**	215,424	210,937
Malaysia	**35,373**	35,398	33,845
Thailand	**20,988**	21,097	18,031
Indonesia	**9,105**	9,459	9,840
Greater China	**46,298**	44,377	40,233
Others	**24,707**	24,244	22,991
	354,450	349,999	335,877
Intangible assets	**4,142**	4,144	4,151
Total	**358,592**	354,143	340,028

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

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

	Dec-17	Sep-17	Dec-16
	$m	$m	$m
Share capital	**4,792**	4,783	4,257
Disclosed reserves/others	**28,922**	28,114	26,384
Regulatory adjustments	**(3,580)**	(3,505)	(2,685)
Common Equity Tier 1 Capital ("CET1")	**30,134**	29,392	27,956
Perpetual capital securities/others	**2,976**	2,096	2,096
Regulatory adjustments	**(890)**	(872)	(1,772)
Additional Tier 1 Capital ("AT1")	**2,086**	1,224	324
Tier 1 Capital	**32,220**	30,616	28,280
Subordinated notes	**4,150**	4,908	5,546
Provisions/others	**983**	1,116	1,122
Regulatory adjustments	**(5)**	(4)	(22)
Tier 2 Capital	**5,128**	6,020	6,646
Eligible Total Capital	**37,348**	36,636	34,926
Risk-Weighted Assets ("RWA")	**199,481**	206,169	215,559
Capital Adequacy Ratios ("CAR")			
CET1	**15.1%**	14.3%	13.0%
Tier 1	**16.2%**	14.8%	13.1%
Total	**18.7%**	17.8%	16.2%
Fully-loaded CET1 (fully phased-in per Basel III rules)	**14.7%**	13.8%	12.1%
Leverage Exposure	**400,803**	396,451	380,238
Leverage Ratio	**8.0%**	7.7%	7.4%

The Group's CET1, Tier 1 and Total CAR as at 31 December 2017 were well above the regulatory minimum requirements.

Higher total capital, both year-on-year and quarter-on-quarter, was mainly due to retained earnings over the period, while lower risk-weighted assets was largely attributable to enhancements in RWA computation methodology.

As at 31 December 2017, the Group's leverage ratio was higher at 8.0%, primarily from higher Tier 1 Capital.

Notes:

1 For the year 2017, Singapore-incorporated banks are required to maintain minimum CAR as follows: CET1 at 6.5%, Tier 1 at 8% and Total at 10%. In addition, with the phased-in implementation of the capital conservation buffer (CCB) and the countercyclical capital buffer (CCyB) with effect from 1 January 2016, the Group is required to maintain CET1 capital to meet CCB of 1.25% and CCyB (computed as the weighted average of effective CCyB in jurisdictions to which the Group has private sector exposures) of up to 1.25%.

2 Leverage ratio is calculated in accordance with the MAS Notice 637.

3 Disclosures required under MAS Notice 637 are published on our website: www.UOBGroup.com/investor/financial/overview.html.

Consolidated Income Statement (Audited)

	2017	2016	+/(-)	**4Q17**[1]	4Q16[1]	+/(-)	3Q17[1]	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Interest income	**9,077**	8,291	9	**2,386**	2,108	13	2,321	3
Less: Interest expense	**3,548**	3,300	8	**926**	832	11	912	1
Net interest income	**5,528**	4,991	11	**1,461**	1,276	15	1,408	4
Fee and commission income	**2,161**	1,931	12	**585**	531	10	551	6
Dividend income	**23**	31	(25)	**1**	1	(25)	3	(67)
Rental income	**119**	118	1	**30**	30	(2)	29	1
Net trading income	**775**	776	(0)	**186**	168	11	164	14
Net gain/(loss) from investment securities	**127**	101	26	**12**	1	>100	57	(79)
Other income	**117**	114	3	**32**	21	52	26	25
Non-interest income	**3,323**	3,071	8	**846**	753	12	830	2
Total operating income	**8,851**	8,061	10	**2,307**	2,028	14	2,238	3
Less: Staff costs	**2,224**	2,050	8	**608**	514	18	543	12
Other operating expenses	**1,803**	1,646	10	**494**	443	11	430	15
Total operating expenses	**4,027**	3,696	9	**1,102**	957	15	973	13
Operating profit before allowance	**4,824**	4,365	11	**1,205**	1,071	12	1,265	(5)
Less: Allowance for credit and other losses	**727**	594	23	**140**	131	7	221	(36)
Operating profit after allowance	**4,097**	3,771	9	**1,064**	941	13	1,044	2
Share of profit of associates and joint ventures	**110**	6	>100	**22**	(21)	>100	29	(23)
Profit before tax	**4,207**	3,777	11	**1,087**	920	18	1,073	1
Less: Tax	**800**	669	20	**226**	177	27	187	20
Profit for the financial period	**3,407**	3,108	10	**861**	742	16	886	(3)
Attributable to:								
Equity holders of the Bank	**3,390**	3,096	9	**855**	739	16	883	(3)
Non-controlling interests	**16**	12	40	**6**	3	78	3	89
	3,407	3,108	10	**861**	742	16	886	(3)

	2017	2016	+/(-)
Total operating income			
First half	**4,306**	3,993	8
Second half	**4,545**	4,069	12
Profit for the financial year attributed to equity holders of the Bank			
First half	**1,652**	1,566	5
Second half	**1,738**	1,530	14

Note:
1 Unaudited.

Consolidated Statement of Comprehensive Income (Audited)

	2017	2016	+/(-)	4Q17[1]	4Q16[1]	+/(-)	3Q17[1]	+/(-)
	$m	$m	%	$m	$m	%	$m	%
Profit for the financial period	**3,407**	3,108	10	**861**	742	16	886	(3)
Other comprehensive income [2]								
Currency translation adjustments	**(66)**	109	(>100)	**67**	85	(22)	(13)	>100
Change in available-for-sale/other reserves								
Change in fair value	**589**	(228)	>100	**(93)**	(385)	76	221	(>100)
Transfer to income statement on disposal/impairment	**(61)**	(155)	60	**2**	(14)	>100	(37)	>100
Tax relating to available-for-sale reserve	**(18)**	24	(>100)	**21**	29	(26)	(13)	>100
Change in shares of other comprehensive income of associates and joint ventures	**(3)**	(5)	44	**(3)**	13	(>100)	(3)	20
Remeasurement of defined benefit obligation	**(7)**	4	(>100)	**(7)**	7	(>100)	-	NM
Other comprehensive income for the financial period, net of tax	**434**	(252)	>100	**(13)**	(265)	95	154	(>100)
Total comprehensive income for the financial period, net of tax	**3,840**	2,856	34	**848**	477	78	1,040	(19)
Attributable to:								
Equity holders of the Bank	**3,817**	2,840	34	**843**	474	78	1,036	(19)
Non-controlling interests	**23**	17	39	**5**	3	58	4	11
	3,840	2,856	34	**848**	477	78	1,040	(19)

Notes:
1 Unaudited
2 Other comprehensive income will be reclassified subsequently to Income Statement when specific conditions are met, except for the remeasurement of defined benefit obligation.

Consolidated Balance Sheet (Audited)

	Dec-17	Sep-17[1]	Dec-16
	$m	$m	$m
Equity			
Share capital and other capital	**7,766**	6,878	6,351
Retained earnings	**19,707**	18,879	17,334
Other reserves	**9,377**	9,390	9,189
Equity attributable to equity holders of the Bank	**36,850**	35,147	32,873
Non-controlling interests	**187**	182	169
Total	**37,037**	35,329	33,042
Liabilities			
Deposits and balances of banks	**11,440**	13,024	11,855
Deposits and balances of customers	**272,765**	268,296	255,314
Bills and drafts payable	**702**	836	522
Other liabilities	**11,469**	11,003	13,152
Debts issued	**25,178**	25,655	26,143
Total	**321,556**	318,814	306,986
Total equity and liabilities	**358,592**	354,143	340,028
Assets			
Cash, balances and placements with central banks	**26,625**	30,809	24,322
Singapore Government treasury bills and securities	**4,267**	3,956	6,877
Other government treasury bills and securities	**11,709**	10,205	10,638
Trading securities	**1,766**	1,593	3,127
Placements and balances with banks	**52,181**	46,973	40,033
Loans to customers	**232,212**	230,068	221,734
Investment securities	**11,273**	12,143	11,640
Other assets	**10,164**	10,043	13,407
Investment in associates and joint ventures	**1,194**	1,177	1,109
Investment properties	**1,088**	1,079	1,105
Fixed assets	**1,971**	1,954	1,885
Intangible assets	**4,142**	4,144	4,151
Total	**358,592**	354,143	340,028
Off-balance sheet items			
Contingent liabilities	**26,415**	25,774	24,617
Financial derivatives	**961,880**	982,707	814,650
Commitments	**136,664**	135,341	136,348
Net asset value per ordinary share ($)	**20.37**	19.88	18.82

Note:

1 Unaudited.

Consolidated Statement of Changes in Equity (Audited)

	Attributable to equity holders of the Bank					
	Share capital and other capital $m	Retained earnings $m	Other reserves $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2017	**6,351**	**17,334**	**9,189**	**32,873**	**169**	**33,042**
Profit for the financial year	**-**	**3,390**	**-**	**3,390**	**16**	**3,407**
Other comprehensive income for the financial year	**-**	**(7)**	**434**	**427**	**7**	**434**
Total comprehensive income for the financial year	**-**	**3,383**	**434**	**3,817**	**23**	**3,840**
Transfers	**-**	**238**	**(238)**	**-**	**-**	**-**
Change in non-controlling interests	**-**	**-**	**(0)**	**(0)**	**1**	**0**
Dividends	**-**	**(1,249)**	**-**	**(1,249)**	**(6)**	**(1,254)**
Shares issued under scrip dividend scheme	**488**	**-**	**-**	**488**	**-**	**488**
Share-based compensation	**-**	**-**	**40**	**40**	**-**	**40**
Reclassification of share-based compensation reserves on expiry	**-**	**1**	**(1)**	**-**	**-**	**-**
Shares issued under share-based compensation plans	**47**	**-**	**(47)**	**-**	**-**	**-**
Perpetual capital securities issued	**879**	**-**	**-**	**879**	**-**	**879**
Balance at 31 December 2017	**7,766**	**19,707**	**9,377**	**36,850**	**187**	**37,037**
Balance at 1 January 2016	5,881	15,463	9,424	30,768	155	30,924
Profit for the financial year	-	3,096	-	3,096	12	3,108
Other comprehensive income for the financial year	-	4	(260)	(257)	5	(252)
Total comprehensive income for the financial year	-	3,100	(260)	2,840	17	2,856
Transfers	-	(6)	6	-	-	-
Change in non-controlling interests	-	-	-	-	2	2
Dividends	-	(1,226)	-	(1,226)	(6)	(1,232)
Shares issued under scrip dividend scheme	533	-	-	533	-	533
Share-based compensation	-	-	41	41	-	41
Reclassification of share-based compensation reserves on expiry	-	3	(3)	-	-	-
Shares issued under share-based compensation plans	20	-	(20)	-	-	-
Perpetual capital securities issued	748	-	-	748	-	748
Redemption of preference shares	(832)	-	-	(832)	-	(832)
Balance at 31 December 2016	6,351	17,334	9,189	32,873	169	33,042

Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to equity holders of the Bank					
	Share capital and other capital	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m
Balance at 1 October 2017	**6,878**	**18,879**	**9,390**	**35,147**	**182**	**35,329**
Profit for the financial period	-	**855**	**-**	**855**	**6**	**861**
Other comprehensive income for the financial period	**-**	**(7)**	**(5)**	**(12)**	**(1)**	**(13)**
Total comprehensive income for the financial period	**-**	**848**	**(5)**	**843**	**5**	**848**
Transfers	**-**	**6**	**(6)**	**-**	**-**	**-**
Change in non-controlling interests	**-**	**-**	**(0)**	**(0)**	**(0)**	**(0)**
Dividends	**-**	**(27)**	**-**	**(27)**	**(0)**	**(27)**
Share-based compensation	**-**	**-**	**8**	**8**	**-**	**8**
Reclassification of share-based compensation reserves on expiry	**-**	**1**	**(1)**	**-**	**-**	**-**
Shares issued under share-based compensation plans	**8**	**-**	**(8)**	**-**	**-**	**-**
Perpetual capital securities issued	**879**	**-**	**-**	**879**	**-**	**879**
Balance at 31 December 2017	**7,766**	**19,707**	**9,377**	**36,850**	**187**	**37,037**
Balance at 1 October 2016	6,341	16,628	9,449	32,418	166	32,583
Profit for the financial period	-	739	-	739	3	742
Other comprehensive income for the financial period	-	7	(272)	(265)	(0)	(265)
Total comprehensive income for the financial period	-	746	(272)	474	3	477
Transfers	-	(16)	16	-	-	-
Change in non-controlling interests	-	-	-	-	0	0
Dividends	-	(27)	-	(27)	(0)	(27)
Share-based compensation	-	-	9	9	-	9
Reclassification of share-based compensation reserves on expiry	-	3	(3)	-	-	-
Shares issued under share-based compensation plans	10	-	(10)	-	-	-
Balance at 31 December 2016	6,351	17,334	9,189	32,873	169	33,042

Consolidated Cash Flow Statement (Audited)

	2017	2016	4Q17 [1]	4Q16 [1]
	$m	$m	$m	$m
Cash flows from operating activities				
Profit for the financial period	3,407	3,108	861	742
Adjustments for:				
Allowance for credit and other losses	727	594	140	131
Share of profit of associates and joint ventures	(110)	(6)	(22)	21
Tax	800	669	226	177
Depreciation of assets	258	222	70	59
Net (gain)/loss on disposal of assets	(200)	(192)	(24)	17
Share-based compensation	41	41	8	9
Operating profit before working capital changes	4,923	4,436	1,258	1,155
Change in working capital:				
Deposits and balances of banks	(351)	(131)	(1,520)	(1,423)
Deposits and balances of customers	18,539	14,789	5,557	4,315
Bills and drafts payable	177	87	(137)	(91)
Other liabilities	(212)	1,582	1,927	2,150
Restricted balances with central banks	272	(844)	339	(162)
Government treasury bills and securities	1,479	1,997	(1,865)	496
Trading securities	1,429	(1,759)	(166)	421
Placements and balances with banks	(12,662)	(11,387)	(5,722)	(6,064)
Loans to customers	(12,907)	(18,815)	(4,017)	(8,448)
Investment securities	986	(1,307)	755	310
Other assets	2,897	(1,339)	(392)	(1,597)
Cash generated from/(used in) operations	4,571	(12,691)	(3,983)	(8,938)
Income tax paid	(662)	(623)	(103)	(136)
Net cash provided by/(used in) operating activities	3,909	(13,313)	(4,087)	(9,073)
Cash flows from investing activities				
Capital injection into associates and joint ventures	(48)	(34)	(21)	(32)
Acquisition of associates and joint ventures	(0)	(47)	-	(3)
Distribution from associates and joint ventures	43	59	17	12
Acquisition of properties and other fixed assets	(349)	(383)	(97)	(127)
Proceeds from disposal of properties and other fixed assets	13	22	0	3
Change in non-controlling interests	0	-	0	-
Net cash used in investing activities	(341)	(382)	(100)	(147)
Cash flows from financing activities				
Perpetual capital securities issued	879	748	879	-
Redemption of preference shares	-	(689)	-	-
Issuance of debts issued	44,601	34,374	9,790	13,545
Redemption of debts issued	(45,067)	(28,694)	(10,084)	(7,094)
Change in non-controlling interests	0	2	(1)	0
Dividends paid on ordinary shares	(665)	(912)	-	-
Dividends paid on preference shares	-	(20)	-	-
Distribution for perpetual capital securities	(95)	(81)	(27)	(27)
Dividends paid to non-controlling interests	(6)	(6)	(0)	(0)
Net cash (used in)/provided by financing activities	(352)	4,722	557	6,424
Currency translation adjustments	(641)	146	(217)	364
Net increase/(decrease) in cash and cash equivalents	2,574	(8,827)	(3,846)	(2,433)
Cash and cash equivalents at beginning of the financial period	18,401	27,228	24,822	20,834
Cash and cash equivalents at end of the financial period	20,975	18,401	20,975	18,401

Note:
1 Unaudited.

Balance Sheet of the Bank (Audited)

	Dec-17	Sep-17[1]	Dec-16
	$m	$m	$m
Equity			
Share capital and other capital	**7,766**	6,878	6,351
Retained earnings	**14,701**	13,954	13,031
Other reserves	**10,045**	10,094	9,625
Total	**32,512**	30,927	29,007
Liabilities			
Deposits and balances of banks	**10,870**	11,879	10,618
Deposits and balances of customers	**215,212**	209,834	199,665
Deposits and balances of subsidiaries	**6,505**	8,733	7,239
Bills and drafts payable	**492**	597	324
Other liabilities	**7,434**	7,247	8,995
Debts issued	**23,890**	24,391	25,015
Total	**264,404**	262,681	251,856
Total equity and liabilities	**296,916**	293,608	280,863
Assets			
Cash, balances and placements with central banks	**19,960**	23,362	16,573
Singapore Government treasury bills and securities	**4,267**	3,956	6,877
Other government treasury bills and securities	**6,236**	4,085	5,257
Trading securities	**1,502**	1,375	2,977
Placements and balances with banks	**42,772**	37,872	33,731
Loans to customers	**180,521**	179,250	172,656
Placements with and advances to subsidiaries	**12,485**	13,461	9,440
Investment securities	**10,495**	11,405	10,992
Other assets	**6,878**	7,006	10,588
Investment in associates and joint ventures	**338**	343	333
Investment in subsidiaries	**5,744**	5,793	5,786
Investment properties	**1,119**	1,120	1,162
Fixed assets	**1,417**	1,398	1,310
Intangible assets	**3,182**	3,182	3,182
Total	**296,916**	293,608	280,863
Off-balance sheet items			
Contingent liabilities	**17,500**	17,034	17,550
Financial derivatives	**788,002**	820,724	725,617
Commitments	**114,167**	112,179	116,251
Net asset value per ordinary share ($)	**17.77**	17.35	16.45

Note:
1 Unaudited.

Statement of Changes in Equity of the Bank (Audited)

	Share capital and other capital $m	Retained earnings $m	Other reserves $m	Total equity $m
Balance at 1 January 2017	**6,351**	**13,031**	**9,625**	**29,007**
Profit for the financial year	**-**	**2,845**	**-**	**2,845**
Other comprehensive income for the financial year	**-**	**(0)**	**416**	**416**
Total comprehensive income for the financial year	**-**	**2,845**	**416**	**3,261**
Transfers	**-**	**2**	**(2)**	**-**
Dividends	**-**	**(1,249)**	**-**	**(1,249)**
Shares issued under scrip dividend scheme	**488**	**-**	**-**	**488**
Share-based compensation	**-**	**-**	**40**	**40**
Reclassification of share-based compensation reserves on expiry	**-**	**1**	**(1)**	**-**
Shares issued under share-based compensation plans	**47**	**-**	**(47)**	**-**
Perpetual capital securities issued	**879**	**-**	**-**	**879**
Transfer from subsidiary upon merger	**-**	**70**	**14**	**84**
Balance at 31 December 2017	**7,766**	**14,701**	**10,045**	**32,512**
Balance at 1 January 2016	5,050	11,735	9,971	26,756
Profit for the financial year	-	2,485	-	2,485
Other comprehensive income for the financial year	-	-	(350)	(350)
Total comprehensive income for the financial year	-	2,485	(350)	2,134
Transfers	-	15	(15)	-
Dividends	-	(1,206)	-	(1,206)
Shares issued under scrip dividend scheme	533	-	-	533
Share-based compensation	-	-	41	41
Reclassification of share-based compensation reserves on expiry	-	3	(3)	-
Shares issued under share-based compensation plans	20	-	(20)	-
Perpetual capital securities issued	748	-	-	748
Balance at 31 December 2016	6,351	13,031	9,625	29,007

Statement of Changes in Equity of the Bank (Unaudited)

	Share capital and other capital $m	Retained earnings $m	Other reserves $m	Total equity $m
Balance at 1 October 2017	**6,878**	**13,954**	**10,094**	**30,927**
Profit for the financial period	**-**	**702**	**-**	**702**
Other comprehensive income for the financial period	**-**	**-**	**(61)**	**(61)**
Total comprehensive income for the financial period	**-**	**702**	**(61)**	**641**
Dividends	**-**	**(27)**	**-**	**(27)**
Share-based compensation	**-**	**-**	**8**	**8**
Reclassification of share-based compensation reserves on expiry	**-**	**1**	**(1)**	**-**
Shares issued under share-based compensation plans	**8**	**-**	**(8)**	**-**
Issue of perpetual capital securities	**879**	**-**	**-**	**879**
Transfer from subsidiary upon merger	**-**	**70**	**14**	**84**
Balance at 31 December 2017	**7,766**	**14,701**	**10,045**	**32,512**
Balance at 1 October 2016	6,341	12,553	9,936	28,830
Profit for the financial period	-	502	-	502
Other comprehensive income for the financial period	-	-	(307)	(307)
Total comprehensive income for the financial period	-	502	(307)	195
Dividends	-	(27)	-	(27)
Share-based compensation	-	-	9	9
Reclassification of share-based compensation reserves on expiry	-	3	(3)	-
Shares issued under share-based compensation plans	10	-	(10)	-
Balance at 31 December 2016	6,351	13,031	9,625	29,007

Capital Adequacy Ratios of Major Bank Subsidiaries

The subsidiary bank solo information below is prepared based on the capital adequacy framework of the respective countries.

	Dec-17			
	Total Risk-Weighted Assets	Capital Adequacy Ratios		
		CET1	Tier 1	Total
	$m	%	%	%
United Overseas Bank (Malaysia) Bhd	**17,869**	**14.4**	**14.4**	**17.6**
United Overseas Bank (Thai) Public Company Limited	**12,504**	**16.1**	**16.1**	**20.1**
PT Bank UOB Indonesia	**7,488**	**14.4**	**14.4**	**17.1**
United Overseas Bank (China) Limited	**8,297**	**16.5**	**16.5**	**17.3**

The extract of the auditor's report dated 13 February 2018, on the financial statements of United Overseas Bank Limited and Its Subsidiaries for the financial year ended 31 December 2017, is as follows:

United Overseas Bank Limited and Its Subsidiaries
Independent Auditor's Report for the financial year ended 31 December 2017

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 13 to 100, which comprise the balance sheets of the Bank and the Group at 31 December 2017, 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 Financial Reporting Standards in Singapore (FRSs), including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, 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 2017 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*
Impairment of loans to customers	
Refer to Notes 2r(i) and 25a to the consolidated financial statements on pages 29 and 57 respectively. The allowance for impairment of loans to customers is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group records both general and specific allowances, in accordance with the transitional provision set out in the MAS Notice 612 requirements for the incorporation of historical loss data and qualitative factors on loan grading respectively. Loans to customers contributed to approximately 65% of the Group's total assets. The Group's loan portfolio comprises customers from the two business units, i.e. Group Wholesale Banking (GWB) (56%/$132 billion) and Group Retail (GR) (44%/$104 billion). The loan portfolio and characteristics of these two groups differ, therefore requiring a different approach in the assessment for specific allowances by management. GWB's loan portfolio consists of larger wholesale loans, requiring management to monitor the borrowers' repayment abilities individually based on their knowledge for any allowance for impairment. In comparison with GWB, GR's loan portfolio consists of smaller loan values and a greater number of customers. Loans are not monitored individually and are grouped by product into homogeneous	Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following: - the origination, approval and monitoring of loans; - the identification and timeliness of identifying impairment indicators; and - the governance process of loan downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment models. Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures. We have designed the following procedures for specific allowances in response to the risks specific to the business units. <u>*Group Wholesale Banking*</u> We obtained an understanding of the Group Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans in accordance with the MAS Notice 612. We tested a sample of 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 had been identified in a timely manner. We considered the magnitude of the credit exposures, macroeconomic factors and industry trends in our audit sampling, and extended our audit coverage over customers in sectors currently experiencing difficult economic and market conditions including the offshore marine and shipping related. For the selected non-performing loans (NPLs), we assessed management's forecast and inputs of 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 such as ship and real estate valuations. <u>*Group Retail*</u> For the major GR portfolios with homogeneous characteristics, we obtained an understanding of the Group Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the credit review on a portfolio basis in accordance with the MAS Notice 612. We examined the appropriateness of the methodology and the model parameters such as historical flow rates and charged-off loss rates to derive loss provision for unsecured lending. The parameters are assessed based on our industry knowledge and experience to evaluate whether they are in line with customer behavioural profiles. Where lending is secured by collateral, the allowance for impairment is

portfolios. Portfolios are monitored through historical delinquency statistics, which drive the allowance for impairment assessment.	determined based on the haircuts and fair values less cost to sell obtained by the Group. We examined, on a sample basis, the reasonableness of haircuts applied and the fair values less cost to sell based on our knowledge and experience of the local residential and economic conditions and asset price trends. With respect to the Group's general allowances, we re-computed management's calculation to assess that the Group's general allowance met the minimum requirements of the transitional provisions set out in MAS Notice 612. Overall, the results of our evaluation of the Group's allowance for impairment of loans are consistent with management's assessment. We have also obtained an understanding of the Group's implementation process of the Singapore Financial Reporting Standard 109 Financial Instruments (FRS 109), and reviewed the disclosure in the financial statements on the transition impact of adopting FRS 109 in respect of the expected credit losses (ECL) requirements.

Areas of focus	***How our audit addressed the risk factors***
Valuation of illiquid or complex financial instruments	
Refer to Notes 2r(ii) and 18b to the consolidated financial statements on pages 29 and 46 to 47 respectively.	We assessed the key controls over the Group's valuation and model validation processes, including the measurement of valuation reserves and derivative valuation adjustments. Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.
The valuation of the Group's 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. In particular, the determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data. At 31 December 2017, 6% ($4 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 a small number of unquoted debt securities.	In addition, we evaluated the appropriateness of the valuation methodologies, particularly for material illiquid and complex financial instruments such as private equity investments and structured products. For a sample of financial instruments with significant unobservable valuation inputs, we involved our own internal valuation specialists to critically assess the valuation assumptions and inputs used by management, or perform an independent valuation by reference to alternative valuation methods used by other market participants and sensitivity analyses of key factors. The valuation of the samples selected are within the range of expected outcomes.

Areas of focus	*How our audit addressed the risk factors*
Impairment of goodwill *Refer to Notes 2r(iii) and 34b to the consolidated financial statements on pages 29 and 71 respectively.* As at 31 December 2017, the goodwill balance was carried at $4 billion which represents 1% of total assets, and 11% of total equity. The goodwill arose 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, and is allocated to the respective cash-generating units (CGUs) defined by the Group's operating segments. We focused on this area because the impairment test relies on the calculation of the value-in-use (VIU) of each CGU, which involves significant management judgment and assumptions about the future cash flows of the CGUs and the discount rates applied.	Our audit procedures focused on the assessment of key assumptions in forming the CGUs' VIU calculations, including the cash flow projections and discount rates that have been approved by management. We assessed the cash flow projections by reviewing the historical achievement of the projections and considered the reasons for significant deviations. We also evaluated the reasonableness of the VIU calculations by comparing the market-related assumptions which the outcome of the impairment test is most sensitive to, against externally available industry, economic and financial data, such as country Gross Domestic Product (GDP) growth rates. Where we determined that a more appropriate assumption or input in a CGU's VIU calculation could be made, independent sensitivity analyses were performed for different scenarios to identify any CGUs with a risk of impairment. The assumptions used by management in its goodwill impairment tests are consistent with our expectations.

Other Information

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore

13 February 2018