



I Thought, We Can Stay Strong Like Stones
Chok Yue Zan

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 markets, 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, innovation and economic growth.

Through the reporting of our financial and non-financial performance in the UOB Annual Report 2017, we explain our business approach, aims and achievements in the context of the year's operating environment. Our reporting adopts the tenets of the International Integrated Reporting Council's Integrated Reporting principles and is in accordance with the Global Reporting Initiative's (GRI) Standards: Core option and selected indicators from GRI's Financial Services Sector Disclosures paper.

This report can be found online at www.UOBgroup.com/AR2017. More information on UOB is also available at www.UOBgroup.com. Hard copies of this report have been printed on sustainably-sourced Forest Stewardship Council-certified paper.

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



I Thought, We Can Stay Strong Like Stones

by Chok Yue Zan
Mixed media
120 x 180 cm

Mr Chok Yue Zan's *I Thought, We Can Stay Strong Like Stones* is the design inspiration for this Annual Report. Mr Chok reinterprets his family's portrait to show the depth, strength and unity of familial ties. It received the 2017 UOB Painting of the Year (Malaysia) award. He is also the recipient of the 2018 UOB-Fukuoka Asian Art Museum residency programme.

The rocks carved in the shape of the people closest to the artist symbolise the importance of nurturing trusted and deep relationships that last. Standing resilient amid swaying foliage, cloudy skies and rolling waters, the rocks reinforce the need for a firm foundation and fortitude to weather change and volatility. These reflect UOB's distinctive and disciplined approach to banking.

Creating sustainable value for our stakeholders and the communities in which we operate is also expressed through UOB's support of art. The UOB Painting of the Year Competition, in its 36th year in 2017, 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 and Thailand, 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 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



Honorable

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 solutions.



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.

▶ Our Fundamental Strengths

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

147% Total Liquidity Coverage Ratio (full-year average)

Established and Integrated Network

>500 branches and offices across our network

Deep Pool of Talent and Expertise

\$21.3 million invested in training programmes

Asian Heritage and Southeast Asian Roots

96% of colleagues in our key markets are local

▶ Our Sustainability Pillars



Sustain
Growth
Responsibly



Keep
Customers at
the Centre



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 needs with the right solutions in the manner they prefer

- Helping our customers safeguard their assets and achieve sustainable yield;
- Ensuring our customers benefit from financial solutions designed to suit their lifestyles, life stages and aspirations;
- Enabling our customers to grow and to preserve their wealth for the next generation; and
- Ensuring our products and services are fair, accessible and inclusive.

Facilitating business growth in the region by providing greater connectivity and specialisation in key sectors

- Leveraging our strong regional franchise, deep local knowledge and industry expertise to help our clients seize intra-regional business and investment opportunities;
- Building an ecosystem of partners to support businesses through market cycles and growth stages;
- Providing holistic and integrated solutions to our clients through enhanced products, channels and industry specialisation; and
- Partnering financial institutions as they grow in Asia.

Strengthening Our Enablers to Sustain Business Growth

Caring for the growth of our colleagues

- Nurturing an innovative and entrepreneurial culture to stay competitive;
- Investing in training and careers for our colleagues to be able and agile to seize the opportunities before them;
- Attracting and retaining enterprising minds with the right values and passion for exceptional service; and
- Developing high-performing and engaged professionals.

Enhancing our digital capabilities and technology systems to make banking simpler, smarter, and safer

- Offering our customers intuitive and seamless connectivity and service across different touchpoints and geographies;
- Harnessing financial technology to create innovative solutions for consumers and businesses;
- Enhancing monitoring and risk systems continually to combat cybersecurity threats and to maintain a secure banking environment;
- Turning data and insights into distinctive experiences that matter to our customers; and
- Streamlining processes to increase productivity and performance and to enhance our customers' experience.

Balancing Growth with Stability

Ensuring prudent management of capital, credit and risk

- Maintaining robust capital and risk management processes and practices;
- Preserving strong capital adequacy levels to support business growth in a prudent and disciplined manner;
- Broadening funding sources and diversifying our investor base;
- Promoting and implementing sustainable and responsible practices in support of long-term economic and social development; and
- Upholding our risk-focused culture and the highest professional and ethical standards to do what is right for all our stakeholders through organisational policies, processes and practices.

Chairman Emeritus' Statement



As I have emphasised frequently over my last six decades at the helm of UOB, honour and integrity must never be compromised in a banker. These values have guided us since our founding in 1935.

The past year turned out to be better than most people expected. While that helped in the performance of the Bank, it underlines the unpredictability of the future.

The year ahead is showing signs of pick up in the global economy and the outlook is positive especially for Asian economies. Nevertheless, the ground is shifting under our feet and opportunities to grow the business will take new forms and dimensions. All the more we need to be cautious and to exercise sound judgment. The decisions taken today must sustain the Group for the long term.

This 2017 report marks my 43rd statement to shareholders. It is also the last that I make as a director of the UOB Board. Even as I remain as Chairman Emeritus and Honorary Adviser to the Bank,

I am confident that Management will continue to act in the long-term interests of shareholders. They will stay prudent as they steer the Bank forward and they will be dedicated to our customers. As I have emphasised frequently over my last six decades at the helm of UOB, honour and integrity must never be compromised in a banker. These values have guided us since our founding in 1935.

I thank fellow directors for their time on the Board and their continued guidance. I am especially grateful to all our customers and shareholders for steadfastly supporting UOB over the years. Please continue to support the Bank.

I am proud of our committed staff and thank each and every one of you for your loyal service. I know you will continue to do what is right.

Wee Cho Yaw

Chairman Emeritus and Adviser

February 2018

Chairman's Statement



The continued investment in UOB's regional franchise is imperative to bolstering our position as a leading bank of and in Southeast Asia. Equally crucial, we have to press on in innovation with new technologies and business models...

We have enjoyed a good year. The Group recorded in 2017 an after tax profit of \$3.39 billion, an increase of nine per cent. The Board has recommended a final one-tier tax-exempt dividend of 45 cents and a special dividend of 20 cents per ordinary share.

2017 started with a subdued outlook in the context of uneven and tepid economic growth for some years in the region and globally. As the year progressed, growth strengthened in tandem across the world which led stock markets to rally and commodity prices to recover. Even as growth uncertainty has eased, geopolitical uncertainty has never been greater in decades with changing national policies, balance of power shifting across the Pacific and tensions arising from the Korean peninsula.

Moreover, just as much uncertainty lies ahead for every enterprise with the pace of innovation and the use of information and technology gathering inexorably. In my whole career, I do not recall any other period with such rapid and momentous disruption in both the business and social sectors.

At a time such as this, we have to assess carefully and yet have to act as boldly and decisively as before to face these mounting challenges in growing the Bank, continuing to take the long-term view with prudence and vigilance for risks as well as opportunities.

Growing Our Franchise

Central to UOB's performance through the years has been its considered and bold moves in building its regional franchise. At the Board retreat in Malaysia last year, we appreciated the far-sighted decisions made to extend our business there since 1971. With the merger of OUB in 2002 in Singapore and Malaysia, UOB is now one of the leading foreign banks in Malaysia with almost 5,000 staff in 45 branches across the country serving our customers. UOB Malaysia now sits alongside UOB Singapore as our two core markets.

With the two underpinning the Bank's franchise, we have the capacity and ability to deepen our presence in other Asian markets such as Indonesia, Greater China and Thailand, as well as in newer markets such as Myanmar. In 2017, we became the only Singapore bank granted approval to establish a subsidiary bank in Vietnam. The continued investment in UOB's regional franchise is imperative to bolstering our position as a leading bank of and in Southeast Asia.

Equally crucial, we have to press on in innovation with new technologies and business models in Singapore and the region. For example, we

enhanced our award-winning mobile application, UOB Mighty, and have introduced it to the region, beginning with Malaysia, Thailand and Vietnam. We have also launched a digital banking business in Vietnam and will be rolling it out to other subsidiaries progressively.

The Board and Management

The strategy and success of the Bank require the full teamwork of board, management and staff aligned to serve the long-term collective interests of its shareholders and other stakeholders.

The Board has been preparing for change and attended closely to its succession and renewal programme. The responsibility for the Bank's future now rests on the collective efforts of this renewed Board.

Ours is a committed management team with a range of talents whose effort is collective and focus is singular towards the Bank's success with an ownership mindset.

Together with the fine and loyal staff in the Bank, we are ready for new challenges.

Final Words

Since joining the Board, I have observed strong shareholder leadership in contributing to stability and continuity within the Bank. Just as importantly, such leadership should also bring dynamism so needed in changing times as experienced in the past. In this regard, we continue to value the close involvement of our significant shareholders.

As I finish my term today, I do wish to express my deepest appreciation to the UOB team – fellow Directors, Management and the many UOB colleagues with whom I have worked – for supporting me and helping to make my term over the past six years a satisfying one.

I would like to acknowledge Dr Wee Cho Yaw's leadership over the many decades and contributions to UOB's successful growth and expansion. I also thank him for inviting me to serve on the Board and wish him a happy retirement. I warmly welcome Wong Kan Seng as the new Chairman of UOB and wish him and all Directors, including new members Michael Lien, Alvin Yeo and Alexander Hungate, even better years ahead as they lead us forward.

Hsieh Fu Hua
Chairman

14 February 2018

Deputy Chairman and CEO's Report



We build and deepen relationships by focusing on, and supporting the long-term interests of, our customers, colleagues and the community. Our disciplined approach in balancing growth with stability continues to bear fruit as we weather challenges, cycles and change.

The painting on this year's Annual Report cover depicts the solid foundations that secure and sustain relationships over time. Its theme resonates strongly with UOB as we believe the fundamental strengths of our business model form the bedrock on which we continue to create sustainable value for our stakeholders. We build and deepen relationships by focusing on, and supporting the long-term interests of, our customers, colleagues and the community. Our disciplined approach in balancing growth with stability continues to bear fruit as we weather challenges, cycles and change.

2017 Financial Performance

Over the course of 2017, there were further signs of recovery in the global economy with sentiments picking up and markets hitting new highs. For UOB, it was a good year overall.

We built on our achievements in 2016 and increased net profit after tax by nine per cent to reach \$3.39 billion. We achieved new highs in net interest income and fee and commission income which resulted in our total income rising 10 per cent to \$8.85 billion.

Our net interest income was up 11 per cent to \$5.53 billion, largely on the back of higher net interest margin and healthy loan growth. Gross loan growth was broad based and across all territories, up five per cent to \$236 billion as at 31 December 2017. Our deployment of excess funds into higher-yielding assets and the benefits from the rising interest rate environment resulted in net interest margin increasing six basis points to 1.77 per cent.

Our non-interest income rose eight per cent to \$3.32 billion. This was the result of robust growth in fee and commission income, up 12 per cent to \$2.16 billion, driven by increases in credit card, fund management and wealth management income as we continue to strengthen our product and advisory capabilities.

Total expenses increased nine per cent over the year to \$4.03 billion as we paced investments in people, technology and infrastructure. These investments reflect our continual efforts to ensure we are building the right capabilities for the future. Due to a combination of strong revenue momentum and our continued cost discipline, our expense-to-income ratio was stable at 45.5 per cent.

We made the prudent decision to accelerate the recognition of residual vulnerable exposures as non-performing assets in the fourth quarter, thereby reducing lingering credit risks to the Group. As a result, the non-performing loans (NPL) ratio rose from 1.5 per cent a year ago to 1.8 per cent as at 31 December 2017. Nonetheless, total credit costs were lower at 28 basis points last year as some general

allowance was released to offset the rise in specific allowance. NPL coverage remained strong at 91 per cent.

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 one per cent allowance requirement by the Monetary Authority of Singapore, as well as the expected credit loss requirements under the Singapore Financial Reporting Standards (International) 9, both of which came into effect on 1 January 2018.

We maintained our strong funding position, with customer deposits up seven per cent over the year to \$273 billion. Our loan-to-deposit ratio was healthy at 85.1 per cent while the average Singapore dollar and all-currency liquidity coverage ratios for the year were 200 per cent and 147 per cent respectively, well above the regulatory requirements of 100 per cent and 80 per cent.

While deposits are our main source of funds, we also tapped debt capital markets to build term funding capabilities and to optimise funding costs. In October 2017, we priced our US\$650 million Additional Tier 1 securities at the tightest pricing for such offers globally. We also diversified our investor base, with more participation from European investors alongside Asian ones. This success is a testament to the confidence investors have in our strong balance sheet and financial standing.

Our capital position remained healthy. As at 31 December 2017, the Group's Common Equity Tier 1 and Total Capital Adequacy Ratios (CAR) were 15.1 per cent and 18.7 per cent respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR rose to 14.7 per cent from 12.1 per cent from a year ago, giving us the capacity to seize growth opportunities. The Group's leverage ratio was eight per cent, well above Basel's minimum requirement of three per cent.

We continue to be rated among the world's strongest banks, with a rating of 'Aa1' by Moody's and 'AA-' from both Standard & Poor's and Fitch Ratings.

Enterprising with a Far-Sighted Approach

As our 2017 results reflect, we forged ahead on many fronts to achieve our strategic priorities, continuing to invest in the present to help ensure business growth well into the future.

We continue to focus on building our regional franchise; enhancing our capabilities as we connect individuals and businesses to financial opportunities at home and abroad; harnessing technology to

Deputy Chairman and CEO's Report

strengthen performance and to improve the customer experience, and developing our people to their full potential for them to stay ahead in this fast-changing world.

During the year, we made good progress on initiatives that will reshape our earnings mix and balance sheet profile. Two key priorities as part of these efforts are to boost fee income and to tap regional connectivity flows.

Building on Our Regional Franchise

Our well-timed investments over many years have ensured we have a competitive advantage in the region. As a leading bank in Asia with a strong franchise and integrated network across Southeast Asia, we are best placed to seize the immense opportunities being created for business, trade and investment. Our position will be strengthened by our ability to continue to tap the region's growth drivers in serving the needs of our customers as they increase their wealth and expand their businesses.

During the year, we deepened our regional franchise when we received a foreign-owned subsidiary bank licence in Vietnam in September. We look forward to deepening our commitment to the country, where we have maintained a branch since 1995, and to helping more Vietnamese companies with both their domestic growth plans as well as cross-border ambitions and to facilitate foreign investment from our regional clients into Vietnam.

In Greater China, we are investing to ensure we can support our clients as they seize opportunities arising from China's Belt and Road Initiative (BRI). For example, in November 2017 we opened a branch in Kunming, Yunnan – a strategic node of the BRI which has recorded strong trade and investment flows between Hong Kong and Southeast Asian countries. Our new Kunming branch is well-positioned to help Southwest China's businesses with their cross-border expansion plans through onshore and offshore solutions. It also complements our operations in West China's Chengdu and Chongqing.

Connecting Clients to Opportunities

We continued to help our clients tap regional cross-border flows more effectively by connecting them seamlessly across the region and helping them benefit from the ecosystem of partnerships we have been building. We were the first bank in Southeast Asia to set up dedicated Foreign Direct Investment (FDI) Advisory Units across Asia from 2011 to help companies work through the complexities of operating locally and to bridge them to opportunities across the region as they expand overseas and enter new markets. As part of increasing our FDI ecosystem of partners, in June 2017 we signed another Memorandum of Understanding, this time, with the Chinese Chamber of International Commerce, China's national business association. This adds to our other tie-ups with government agencies and industry partners to support our clients' long-term regional growth ambitions.

In reshaping our business for new avenues of growth, we are also helping start-ups grow and prosper through a different ecosystem of partners – one focused on supporting the growth of emerging businesses. In August 2017, the second cohort of start-ups graduated from The FinLab, our innovation accelerator joint venture with SGInnovate. The FinLab has been instrumental in providing practical guidance, resources and mentorship to start-ups as they secure investor funding, sign commercial deals and scale their businesses. With investor funding important to helping start-ups thrive, we continue to provide non-traditional funding sources through UOB Venture Management and our alliances with OurCrowd and InnoVen Capital. We demonstrated the depth and breadth of our start-up ecosystem at the Singapore FinTech Festival 2017 which had more than 25,000 participants from more than 100 countries. As businesses go through

various stages of maturity, our wholesale banking solutions provide them with the support they need every step of the way.

Deepening and Widening Our Capabilities

We are sharpening our focus on selected industry sectors where we see the strongest opportunities in trade and investment flows. Through a deeper understanding of our clients' value chain, using data analytics, risk insights and controls, we are able to address their needs holistically. This in turn deepens the relationship with our clients. For instance, we made good progress in the Financial Institutions segment, increasing total income and generating a higher proportion of non-loan income through the provision of trade financing, cash management and Global Markets solutions.

Our wealth management business also remained strong with our organic growth strategy bearing fruit. In the regional markets, our ground presence continues to give us an edge in client engagement and convenience. By the end of the year, our assets under management had reached another milestone in exceeding \$100 billion, with strong momentum seen in the high net worth segment. There is much more potential to be realised as we serve the increasing number of affluent customers in Asia and strengthen our one-bank approach across our extensive network and client segments.

We also built upon our progress in developing banking solutions specifically for our millennial customers. We were the first in Singapore to create a tailored banking suite to help these young professionals start building their wealth from their first jobs and have now extended the award-winning UOB YOLO credit card to Malaysia and Thailand. We also launched a new product, the KrisFlyer UOB Debit Card and Account, in Singapore.

Keeping Our Customers at the Heart of All We Do

In a world where the lines between the physical and virtual are blurring, we believe in integrating digital and traditional channels to give our customers a truly rounded, consistent and cumulative experience across all products, services and touchpoints. We ensure the experience is not only borderless, intuitive and efficient through economic cycles and across markets, but that it is also safe and reliable for our customers. We recognise the important role technology plays in ensuring these.

For us, meeting the needs of our customers is always the first premise when we consider how best to use technology. While we innovate and keep pace with advances in technology, we do so with a clear purpose of making banking smarter, simpler and safer, and always wrapped in the warmth of the human touch.

The outcome of our approach is best demonstrated in the development of our all-in-one mobile application (app) UOB Mighty. We launched UOB Mighty in Singapore in 2015, when the ubiquity of and reliance on the mobile phone were already apparent. We wanted to ensure optimal use of the limited space on the mobile screen in fulfilling our customers' banking, payment and lifestyle needs, yet making their experience easy and intuitive. Hence we designed the single, unified mobile app. This has seen UOB Mighty win the Excellence in Mobile Banking award from *Retail Banker International* for three consecutive years. We continue to provide a clean, clear, consistent and uncluttered experience for our customers even as we introduce new features via the app.

In July 2017, we integrated PayNow, the peer-to-peer payments service in Singapore based on an individual's mobile number or identification number into UOB Mighty. In another industry-leading move, we partnered The FinLab graduate PayKey to launch MyKey which enables the use of PayNow within any social media messaging

service. Other banks across the region have since followed suit, integrating payment services within social media platforms.

For our corporate clients, we also used technology to help them achieve sustainable business growth through new revenue streams, process improvements and productivity gains. For example, we launched the UOB Virtual Payment Solutions suite to help more small- and medium-sized enterprises (SMEs) gain greater control and transparency in managing their cash flow, an essential factor for a business' success. It also automates much of the manual processing, thereby freeing up the SME's resources for business development. More than 1,300 of our small business customers are now using UOB BizSmart, a cloud-based integrated solution to help them manage inventory, payroll, accounting and data protection. In late 2017, we became the first Asian bank to partner SAP, a market leader in enterprise application software, to offer SAP Business One solution, an enterprise resource planning tool, to small businesses through BizSmart.

Core to the development of our digital capabilities is our people. Given the influence of technology in shaping the lives and preferences of our customers, we have invested more than \$21 million in training programmes to ensure our people are equipped with the relevant skillsets and agile mindsets for the future. One such programme is the Professional Conversion Programme, which was designed to deepen their digital skills in areas such as design thinking, customer journey design, channel management, and scenario analysis and planning. In November 2017, we rolled out the first phase of the programme to 900 of our customer-facing employees in Singapore and are expanding it across the organisation.

Caring for the professional and personal growth of our people is part of our employee value proposition, UOB+you. Building on UOB's values of Honour, Enterprise, Unity and Commitment, UOB+you is the promise by which we attract, engage and retain the right individuals and teams to take us forward.

United in Our Efforts to Strengthen Community Bonds

Our care and commitment for people extend to the communities in which we operate. We believe that through our steadfast support of art, children and education we can help open minds and hearts and thereby strengthen societal bonds. In 2017, we contributed holistically to these community causes through philanthropy, partnerships and employee participation in the areas of visual arts and art therapy programmes, financial literacy initiatives and the nurturing of future banking talents.

Across Asia, our people volunteered more than 61,000 hours to support local community activities. One of these was our annual UOB Heartbeat Run/Walk held in six countries on the same day. This year's fundraising event saw more than 14,000 clients, colleagues and community partners participating to help improve the lives of children with financial difficulties or special needs.

We also use payment innovation to enable people to participate in social causes. We were the first and only bank to extend the use of PayNow to raise funds nationwide in support of people with special needs through our 'PayNow for a Cause' campaign in Singapore.

We were recognised for being a trailblazer in corporate giving when we were given the Champion of Good award by the National Volunteer and Philanthropy Centre Singapore.

2018 Outlook

In 2017, we saw the broadest improvement in global economic recovery since 2010 and this upswing is expected to continue.

Asia's growth will be anchored by the stability in China, which recorded its first growth pick-up in 2017 since 2010, even as the region grapples with the impact of protectionist trade policies from the US. We remain optimistic about ASEAN's growth prospects, driven by the region's vast and growing consumer market, substantial intra-regional trade volume and continued investment inflows. Trade and investments in ASEAN are also set to benefit from the BRI, which will continue to underpin the expansion of business opportunities and connectivity for the region.

Committed to Sustaining Our Growth Responsibly

While Asia, with its increasing cross-border flows and rising consumer affluence, is set to ride on the global economic recovery, it does so amid lingering geopolitical tensions and uncertainties brought on by policy shifts. In steering through times such as these, we stay anchored to our founding principles, upholding our values of Honour, Enterprise, Unity and Commitment, as we persevere in pursuit of our goals, whatever the weather or terrain.

Just as the rocks on the cover of our Annual Report represent the strong foundation on which our business is built, we can be sure-footed in our journey ahead. The groundwork we have laid for our regional franchise sets a strong base for us to seize the rising business opportunities. We will continue to balance growth with stability, supported by our sound balance sheet and targeted investments for the future.

Knowing that our ultimate purpose is to deepen the trust our stakeholders place in us, we always consider the long-term impact our decisions might have on society and the environment. We are committed to developing and to providing sustainable and responsible financial solutions that enable our customers to make a difference. We know it is also our duty to develop professionals whose principled actions are always guided by our time-tested values. We never forget that as we continue to build our business, we have a responsibility to strengthen community bonds and to give back to the communities in which we operate.

Acknowledgements

This year marks yet another milestone in the history of UOB as Dr Wee Cho Yaw retires from the Board at the 2018 Annual General Meeting.

From his very first days at UOB in 1958 through to his role as Chairman Emeritus, he has placed the long-term interests of, and what is right for, UOB at the heart of all he has done. His contribution to our success has been enormous and he has built a legacy that will last. On behalf of the team at UOB, I thank him for his wisdom in guiding us over many decades. We will continue to honour the values he has passed on to us and to build on the role UOB has come to play in the lives of our customers, colleagues and the community.

2018 also marks the retirement of Hsieh Fu Hua, who joined us in 2012 and became Chairman in 2013. I thank him for his support of Management over this time and his efforts in promoting the best interests of UOB.

To the UOB Board, my Management team and the wider family of UOB colleagues, I thank you for your dedication to doing what is right for our Bank, and for the good results we achieved as a team in 2017. To our valued customers and investors, thank you for your continued confidence in, and support of, UOB.

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

February 2018

Board of Directors

As at 14 February 2018



Wee Cho Yaw, 89

*Chairman Emeritus and Adviser
Non-Executive and Non-Independent*

First appointed as a director: 14 May 1958

Last re-appointed as a director: 21 April 2016

Conferred the title of Chairman Emeritus: 25 April 2013

A banker with more than 60 years' experience, Dr Wee is a veteran in the banking, insurance, real estate and hospitality industries. He has received many accolades for his business achievements and support of education, community welfare and the business community. Among the awards conferred on him were the Distinguished Service Order, Singapore's highest National Day Award, ASEAN Business Advisory Council Legacy Award for Singapore and Honorary Degrees of Doctor of Letters from the National University of Singapore and Nanyang Technological University.

Board Committee Positions

- Board Credit Committee (Member)
- Board Risk Management Committee (Chairman)
- Nominating Committee (Member)
- Strategy Committee (Member)

Current Directorships in Other Listed Companies

- United Overseas Insurance (Chairman)
- UOL Group (Chairman)
- Haw Par Corporation (Chairman)
- United Industrial Corporation (Chairman)

Other Principal Commitments

- United Overseas Bank (Malaysia) (Chairman Emeritus and Adviser)
- PT Bank UOB Indonesia (President Commissioner)
- United Overseas Bank (China) (Supervisor)
- United Overseas Bank (Thai) Public Company (Chairman)
- Pan Pacific Hotels Group (Chairman)
- Marina Centre Holdings (Chairman)
- Nanyang Technological University (Pro-Chancellor)
- Singapore Chinese Chamber of Commerce & Industry (Honorary President)
- Singapore Federation of Chinese Clan Associations (Honorary President)
- Singapore Hokkien Huay Kuan (Honorary President)
- Wee Foundation (Chairman)
- Chung Cheng High School (Chairman)

Past Directorships in Listed Companies held over the Preceding Three Years

- Nil

Education and Achievements

- Chinese high school education
- Businessman of the Year, Singapore Business Awards (2001 and 1990)
- Credit Suisse-Ernst & Young Lifetime Achievement Award (2006)
- Honorary Doctor of Letters, National University of Singapore (2008)
- *The Asian Banker* Lifetime Achievement Award (2009)
- The Distinguished Service Order, Singapore (2011)
- Honorary Doctor of Letters, Nanyang Technological University (2014)
- ASEAN Business Advisory Council Legacy Award for Singapore (2017)



Hsieh Fu Hua, 67

Chairman

Non-Executive and Independent

First appointed as a director: 16 January 2012

Last re-elected as a director: 24 April 2015

Appointed as Chairman: 25 April 2013

Mr Hsieh has more than 40 years of experience in banking and capital markets in Asia. Previously, he served as the Chief Executive Officer and director of Singapore Exchange and a director of the Temasek Holdings board. His community service includes directorships on the boards of several non-profit organisations involved in the arts, health and social services, and corporate governance.

Board Committee Positions

- Board Credit Committee (Member)
- Board Risk Management Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)
- Strategy Committee (Chairman)

Current Directorships in Other Listed Companies

- Nil

Other Principal Commitments

- GIC (Director)
- ACR Capital Holdings (Chairman)
- National University Health System (Director and Chairman Designate)
- National University of Singapore Board of Trustees (Chairman)
- National Council of Social Service (President)
- National Gallery Singapore (Chairman)
- Stewardship Asia Centre CLG (Chairman)
- PrimePartners Group (Adviser)

Past Directorships in Listed Companies held over the Preceding Three Years

- Tiger Airways Holdings (till May 2016)

Education and Achievements

- Business Administration (Hons), University of Singapore

Wong Kan Seng, 71

Non-Executive and Independent

Appointed as a director: 27 July 2017¹

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 as Deputy Prime Minister and Coordinating Minister for National Security in 2011 but remained as a Member of Parliament till 2015. After stepping down from the Cabinet in 2011, Mr Wong joined the private sector, serving as chairman and director of companies in the real estate, township development/urbanisation, fund management and REIT/trust sectors.

Board Committee Positions

- Board Credit Committee (Member)
- Board Risk Management Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)
- Strategy Committee (Member)

Current Directorships in Other Listed Companies

- Nil

Other Principal Commitments

- Ascendas-Singbridge (Chairman)
- Singapore-Sichuan Investment Holdings (Chairman)
- Temasek Foundation-Connects Advisory Council (Chairman)
- Kwong Wai Shiu Hospital (Patron)

Past Directorships in Listed Companies held over the Preceding Three Years

- Nil

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)
- Medal of Honour (1998)
- Public Administration Medal (Silver) (1976)

¹ To be appointed as Chairman on 15 February 2018

Board of Directors

As at 14 February 2018



Wee Ee Cheong, 65

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

First 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 more than 35 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 Credit Committee (Member)
- Board Risk Management Committee (Member)
- Strategy Committee (Member)
- Nominating Committee (alternate member to Wee Cho Yaw)

Current Directorships 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) (Director)
- United Overseas Bank (Thai) Public Company (Director)
- 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 Directorships in Listed Companies held over the Preceding Three Years

- Nil

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)



Franklin Leo Lavin, 60

Non-Executive and Independent

First 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 Positions

- Board Credit Committee (Member)
- Nominating Committee (Member)
- Strategy Committee (Member)

Current Directorships in Other Listed Companies

- Nil

Other Principal Commitments

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

Past Directorships in Listed Companies held over the Preceding Three Years

- Globe Specialty Metals (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 (November 2005 to July 2007)
- US Ambassador to Singapore (August 2001 to October 2005)
- Chairman of the Steering Committee of the Shanghai 2010 World Expo USA Pavilion



Willie Cheng Jue Hiang, 64
Non-Executive and Independent

First 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, serving as Chairman of Singapore Institute of Directors and a member of the Singapore Exchange's Diversity Action Committee. 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 Directorships in Other Listed Companies

- Nil

Other Principal Commitments

- Singapore Institute of Directors (Chairman)
- FEO Hospitality Asset Management (Director)
- FEO Hospitality Trust Management (Director)
- Integrated Health Information Systems (Director)
- NTUC Health Co-operative (Director)
- Singapore Health Services (Director)
- Asia Philanthropic Ventures (Director)
- Caritas Humanitarian Aid & Relief Initiatives Singapore (Director)
- SymAsia Foundation (Director)
- Catholic Foundation (Chairman)

Past Directorships in Listed Companies held over the Preceding Three Years

- Nil

Education and Achievements

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



James Koh Cher Siang, 72
Non-Executive and Independent

First 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. He retired as the Comptroller of Income Tax, where he was both Commissioner of Inland Revenue and Commissioner of Charities. His past appointments include director of Pan Pacific Hotels Group, UOL Group, Singapore Airlines and CapitaLand, where he was chairman of the risk committee. He was the Chairman of the Housing & Development Board from 2007 to 2016.

Board Committee Positions

- Audit Committee (Member)
- Remuneration Committee (Chairman)

Current Directorships 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 held over the Preceding Three Years

- CapitaLand (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)

Board of Directors

As at 14 February 2018



Ong Yew Huat, 62

Non-Executive and Independent

First 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, he previously served on the boards of the Singapore Art Museum and the National Art Gallery, and is currently Chairman of the National Heritage Board and the Singapore Tyler Print Institute.

Board Committee Positions

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

Current Directorships in Other Listed Companies

- Nil

Other Principal Commitments

- United Overseas Bank (Malaysia) (Chairman)
- Singapore Power (Director)
- Ascendas-Singbridge (Director)
- Singapore Tyler Print Institute (Chairman)
- Tax Academy of Singapore (Chairman)
- National Heritage Board (Chairman)
- Singapore Mediation Centre (Director)

Past Directorships in Listed Companies held over the Preceding Three Years

- Nil

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)



Lim Hwee Hua, 59

Non-Executive and Independent

First appointed as a director: 1 July 2014
Last re-elected as a director: 24 April 2015

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

- Nominating Committee (Chairman)
- Remuneration Committee (Member)
- Strategy Committee (Member)

Current Directorships in Other Listed Companies

- Jardine Cycle & Carriage (Director)

Other Principal Commitments

- Tembusu Partners (Director)
- Asia Pacific Exchange (Chairman)
- BW Group (Director)
- Summit Power International (Director)
- Kohlberg Kravis & Roberts (Senior Advisor)
- Asia Advisory Board of Westpac Institutional Bank (Member)

Past Directorships in Listed Companies held over the Preceding Three Years

- Stamford Land Corporation (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, 51
Non-Executive and Independent

Appointed as a director: 27 July 2017

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 Positions

- Board Credit Committee (Member)
- Remuneration Committee (Member)

Current Directorships 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)

Past Directorships in Listed Companies held over the Preceding Three 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, 54
Non-Executive and Non-Independent

Appointed as a director: 27 July 2017

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 has been a director of Temasek Holdings since 2010. He is also 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 United Overseas Bank from 2005 to 2009.

Board Committee Positions

- Nominating Committee (Member)
- Strategy Committee (Member)

Current Directorships in Other Listed Companies

- Nil

Other Principal Commitments

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

Past Directorships in Listed Companies held over the Preceding Three Years

- Nil

Education and Achievements

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

Board of Directors

As at 14 February 2018



Alvin Yeo Khirn Hai, 55

Non-Executive and Independent

Appointed as a director: 27 July 2017

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 also serves as director and audit committee member on the boards of Keppel Corporation and United Industrial Corporation.

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 held over the Preceding Three Years

- Neptune Orient Lines (till June 2016)

Education and Achievements

- Bachelor of Laws (Hons), King's College, University of London
- Chambers Asia-Pacific Outstanding Contribution to the Legal Profession Award (2017)
- Singapore Institute of Arbitrators (Fellow)
- Acknowledged as a leading litigation and arbitration counsel in international legal directories

Group Management Committee

The Group Management Committee comprises 17 members, including members of the Management Executive Committee.

Management Executive Committee

Wee Ee Cheong

Deputy Chairman and Group 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. He 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, 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 30 years of experience in banking operations and risk management.

Susan Hwee Wai Cheng

Head, Group Technology and Operations

Ms Hwee joined UOB in 2001. She sets the Group's strategy and standards for technology, operations and information security, and also spearheads initiatives to transform the Group's digital and data architecture. She holds a Bachelor of Science from the National University of Singapore and has more than 30 years of experience in banking technology and operations.

Lee Chee Pin

Head, Group 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 bullion, brokerage and clearing. He holds a Bachelor of Science (Building) from the National University of Singapore and is a Chartered Financial Analyst. He has more than 25 years of experience in the financial industry.

Francis Lee Chin Yong

Head, Group Retail

Mr Lee joined UOB in 1980. He leads the Group's consumer and small business retail divisions. Prior to his appointment in Singapore in 2003, he was the CEO of UOB (Malaysia). He holds a Malaysian Certificate of Education and has almost 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's financial and management accounting, investor relations and corporate services divisions. 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. He has almost 30 years of experience in banking.

Group Management Committee

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 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. He holds a Bachelor of Science (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.

Eddie Khoo Boo Jin

Head, Group Personal Financial Services, Private Banking and Bancassurance, Group Retail

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

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 2016. Prior to this, he served as Deputy CEO of UOB (Malaysia) and oversaw its wholesale banking business. His previous appointments within the Group included the head of consumer banking loans, and sales and distribution in Singapore and the region, and head of 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.

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.

Tan Choon Hin

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

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

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 35 years of banking experience.

Jenny Wong Mei Leng

Head, Group Human Resources

Ms Wong joined UOB in 2005 and heads Group Human Resources. 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 more than 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 and is responsible for the Group's overseas banking subsidiaries and branches. He 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 the Hong Kong University of Science and Technology. He has almost 30 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

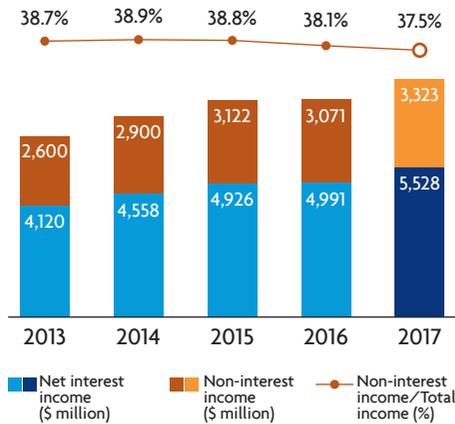
Mrs Ip was appointed CEO of UOB Hong Kong Branch in 2011. In addition to this role, she was appointed CEO of UOB Greater China in 2016. She holds a Master of Business Administration from the Hong Kong University of Science and Technology and a Bachelor of Arts from the University of Hong Kong. She has 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 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 corporate experience.

Financial Highlights



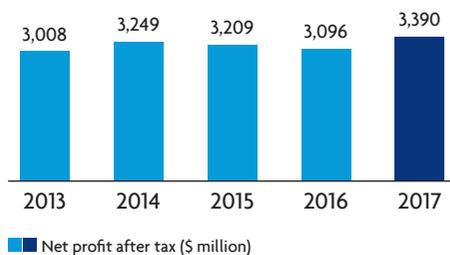
Total Income

Total income showed strong momentum and rose 10% to \$8.85 billion, led by new highs in both net interest income and fee and commission income.

\$8,851 million
+ 10%

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 6 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.

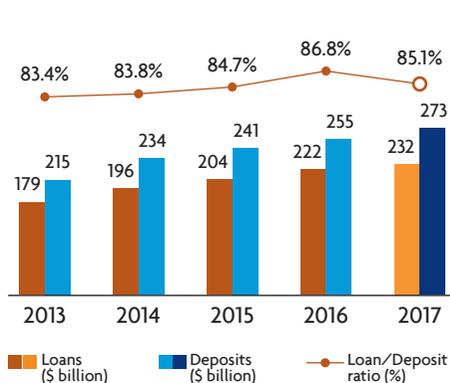
Non-interest income increased 8% to \$3.32 billion. Fee and commission income registered a robust growth of 12% to \$2.16 billion, driven by strong performances in wealth management, fund management and credit card businesses. Higher net gains from the disposal of investment securities also contributed to the increase in other non-interest income to \$1.16 billion.



Net Profit After Tax

The Group reported net earnings of \$3.39 billion for the full year of 2017, 9% higher than a year ago.

\$3,390 million
+ 9%



Customer Loans/Deposits

Net customer loans grew 5% from a year ago to \$232 billion in 2017. The growth was broad-based across most territories and industries.

Net Customer Loans
\$232 billion
+ 5%

Customer deposits grew 7% to \$273 billion, led by growth in US dollar deposits.

Customer Deposits
\$273 billion
+ 7%

The Group's funding position continues to be strong with a healthy loan-to-deposit ratio at 85.1% in 2017.

Loan/Deposit ratio
85.1%
- 1.7% pt

Note: Net customer loans were net of total allowance.



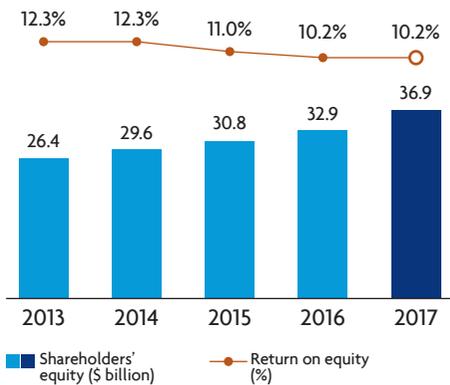
Loans By Geography

Gross loans grew 5% year-on-year to \$236 billion as at 31 December 2017.

\$236 billion
+ 5%

Singapore, which accounted for 54% of the Group loan base, reported 2% growth year-on-year to reach \$128 billion while regional countries contributed a strong growth of 9%.

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).

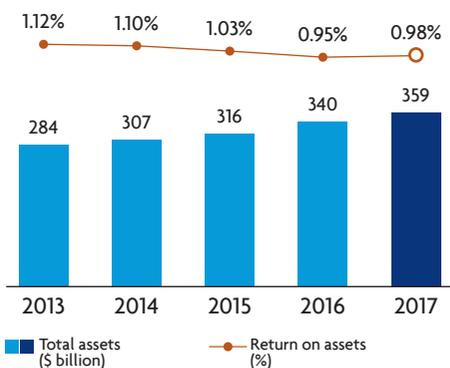


Shareholders' Equity/Return on Equity

Shareholders' equity increased 12% from a year ago 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.

Return on equity remained at 10.2% for 2017.

Shareholders' Equity
\$36.9 billion
 + 12%
 Return on Equity
10.2%
 0.0% pt

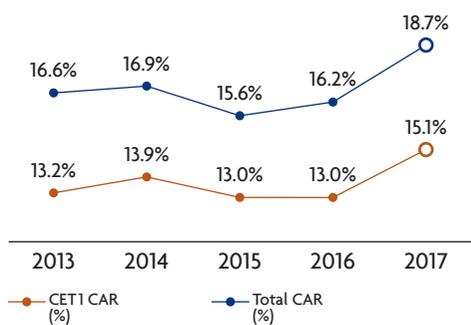


Total Assets/Return on Assets

The Group's total assets grew 5% to \$359 billion in 2017 mainly on higher loan volume.

Return on assets for 2017 increased to 0.98%.

Total Assets
\$359 billion
 + 5%
 Return on Assets
0.98%
 + 0.03% pt



Capital Adequacy Ratio (CAR)

As at 31 December 2017, the Group's strong capital position remained well above the MAS minimum requirements with Common Equity Tier 1 and Total CAR at 15.1% and 18.7% respectively. The Group's leverage ratio stood at 8.0% as at 31 December 2017, above the minimum requirement of 3%.

CET1 CAR
15.1%
 + 2.1% pt
 Total CAR
18.7%
 + 2.5% pt



Overseas Profit Before Tax Contribution

The Group's net profit before tax was 11% higher at \$4.21 billion.

Overseas profit contribution was higher at 40.8% in 2017 compared with 37.4% a year ago.

40.8%
 + 3.4% pt

Financial Highlights

Five-Year Group Financial Summary

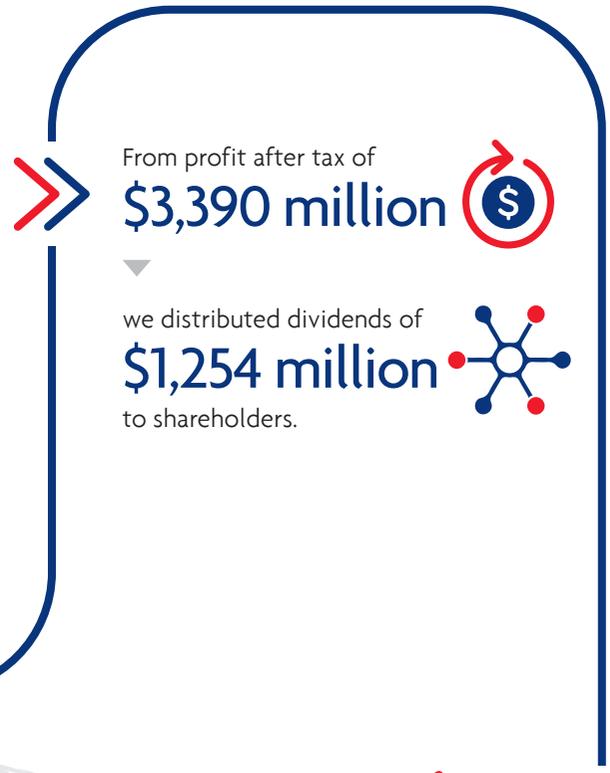
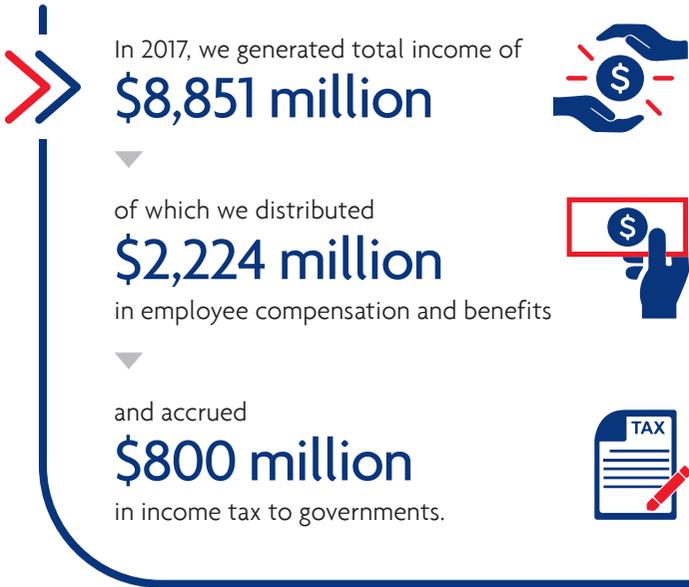
	2013	2014	2015	2016	2017
Selected Income Statement Items (\$ million)					
Total income	6,720	7,457	8,048	8,061	8,851
Total expenses	2,898	3,146	3,597	3,696	4,027
Operating profit	3,822	4,311	4,451	4,365	4,824
Net profit after tax ¹	3,008	3,249	3,209	3,096	3,390
Selected Balance Sheet Items (\$ million)					
Net customer loans	178,857	195,903	203,611	221,734	232,212
Customer deposits	214,548	233,750	240,524	255,314	272,765
Total assets	284,229	306,736	316,011	340,028	358,592
Shareholders' equity ¹	26,388	29,569	30,768	32,873	36,850
Financial Indicators (%)					
Expense/Income ratio	43.1	42.2	44.7	45.9	45.5
Non-performing loans ratio	1.1	1.2	1.4	1.5	1.8
Return on average ordinary shareholders' equity	12.3	12.3	11.0	10.2	10.2
Return on average total assets	1.12	1.10	1.03	0.95	0.98
Return on average risk-weighted assets	1.97	1.94	1.74	1.51	1.63
Capital adequacy ratios					
Common Equity Tier 1	13.2	13.9	13.0	13.0	15.1
Tier 1	13.2	13.9	13.0	13.1	16.2
Total	16.6	16.9	15.6	16.2	18.7
Per ordinary share					
Basic earnings (\$)	1.84	1.98	1.94	1.86	1.99
Net asset value (\$)	15.36	17.09	17.84	18.82	20.37
Net dividend (cents) ²	75	75	90	70	100
Dividend cover (times) ²	2.54	2.70	2.22	2.73	2.04

¹ Relates to the amount attributable to equity holders of the Bank.

² Included a special dividend of 5 cents in 2013 and 2014 respectively and 20 cents in 2017. 2015 included UOB's 80th Anniversary dividend of 20 cents.

Economic Value of Our Contributions

In the course of conducting our business, we create direct and indirect economic value for our stakeholders and contribute to the development of local economies.



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

31 December 2017

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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 undertook detailed gathering and assessment of 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 SGX Sustainability Reporting Guide and the Global Reporting Initiative (GRI) Standards. We are pleased to state that UOB's Annual Report 2016 won the Best Inaugural Sustainability Report (Mainboard) Award at the first Singapore Sustainability Reporting Awards.

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.

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 ESG risks, challenges, impact and opportunities.

We stepped up our non-financial reporting to include sustainability reporting in our Annual Report 2016 to give our stakeholders insight into the Bank's approach to sustainability and we continued to build on our efforts in 2017.

During the year, we refined our sustainability strategy after extensive discussions and workshops with teams from across the Bank which were facilitated by an external consultant. Our deliberations considered macro sustainability trends, including responsible banking, the Singapore Exchange's (SGX)



Our Group Chief Financial Officer Mr Lee Wai Fai (centre) receiving from Mr Chan Chun Sing, Minister in the Prime Minister's Office, the Best Inaugural Sustainability Report (Mainboard) Award at The Singapore Sustainability Reporting Awards 2017 organised by the Singapore Institute of Directors. We received the award in recognition of the quality of our sustainability disclosure in our Annual Report 2016.

Sustainability Approach

reporting requirements, the United Nations' (UN) Sustainable Development Goals (SDGs), the Paris Climate Agreement and the recommendations by the Task Force on Climate-related Financial Disclosures.

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 the industry, society and the environment. It was also

formulated to ensure we remain economically relevant through managing ESG risks and opportunities practically and in line with market realities. To help our programmes and initiatives take root and gain ground, 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.

Pillars



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's SDGs.

With customers as our focal point, 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 are focused on developing 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 by encouraging employee 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.

The UN's 17 SDGs set the global agenda for sustainable economic, social and environmental development by 2030 and call for action by the public and private sectors. At UOB, our sustainability objectives are aligned with 11 of the SDGs as follows:

Sustain Growth Responsibly

Incorporate sustainability risk elements 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 Sustainable Development Goals



Develop Professionals of Principle

Build high-performing teams and develop individuals who are guided by our 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



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



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 SDGs



Sustainability Approach

Material ESG Factors

As we focus on creating sustainable value for our stakeholders, we assess the ESG matters relevant to the banking industry, the implications for the Bank and the insights provided by our internal and external stakeholders.

Our priorities include 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 technologies 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 environmental impact.

Keeping in mind the significance of the economic, environmental and social impact of our operations and the influence such impact may have on our stakeholders, in 2017 we considered their feedback and reviewed the 14 material ESG factors first reported in our Annual Report 2016. The following factors were deemed the most significant:

- Risk-focused organisational culture;
- Responsible lending;
- Regulatory compliance;
- Economic value of our contributions;
- Customer experience; and
- Cybersecurity, fraud prevention and anti-money laundering.

In line with our own expectations of strong corporate governance and high ethical standards, we included 'Anti-corruption' as a material ESG factor in 2017.

The 15 factors are aligned with our sustainability pillars. A summary of our material ESG factors and their corresponding GRI Standards topics and boundaries are presented in the following table.

Material ESG Factor	Our Value Creation	Our Goal	GRI Standards Topic	Where the Impact Occurs	Our Involvement with Impact
Sustain Growth Responsibly					
Risk-focused Organisational Culture 	<ul style="list-style-type: none"> • Maintaining high standards of corporate governance and a robust risk management framework to protect the interests of our stakeholders • Remaining nimble to seize business opportunities amid a fast-changing environment 	To achieve stable and sustainable growth through informed risk-based decisions	<ul style="list-style-type: none"> • Employment • Socio-economic compliance 	Group-wide	Direct
Responsible Lending 	<ul style="list-style-type: none"> • Addressing environmental, social and governance issues when making lending decisions 	To be a responsible financial services provider	<ul style="list-style-type: none"> • Product portfolio (G4 Financial Services Sector Disclosure) • Economic performance 	Business units	Indirect
Regulatory Compliance 	<ul style="list-style-type: none"> • Maintaining sound risk management systems • Complying with applicable laws, rules, regulations and standards 	To maintain the highest standards of professional and ethical behaviour	<ul style="list-style-type: none"> • Anti-corruption • Socio-economic compliance 	Group-wide	Direct

Material ESG Factor	Our Value Creation	Our Goal	GRI Standards Topic	Where the Impact Occurs	Our Involvement with Impact
Sustain Growth Responsibly					
Economic Value of Our Contributions 	<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 	To create direct and indirect economic value for our stakeholders	<ul style="list-style-type: none"> Economic performance Indirect economic performance 	Group-wide	Direct
Keep Customers at the Centre					
Customer Experience 	<ul style="list-style-type: none"> Treating customers fairly based on the principles of integrity, trust and respect Creating responsible solutions across our businesses to meet our customers' needs 	To keep the customers' interests at the heart of all that we do	<ul style="list-style-type: none"> Marketing and labelling Customer privacy Local communities 	Group-wide	Direct
Cybersecurity, Fraud Prevention and Anti-money Laundering 	<ul style="list-style-type: none"> Protecting our customers from cyber threats through robust risk management systems and processes Assisting regulators in preventing cyber crime, money laundering, funding of terrorism and dealing with sanctioned persons 	To uphold our role in maintaining a secure and trusted banking environment	<ul style="list-style-type: none"> Customer privacy Socio-economic compliance 	Group-wide	Indirect
Digital Transformation 	<ul style="list-style-type: none"> Making banking simpler, smarter and safer for our customers through innovation and technology 	To ensure that technology enhances our people and service capabilities as we deepen our culture of innovation and enterprise	<ul style="list-style-type: none"> Customer privacy 	Group-wide	Direct
Develop Professionals of Principle					
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 	To develop valuable and meaningful careers for our colleagues	<ul style="list-style-type: none"> Employment Training and education 	Group-wide	Direct

Sustainability Approach

Material ESG Factor	Our Value Creation	Our Goal	GRI Standards Topic	Where the Impact Occurs	Our Involvement with Impact
Develop Professionals of Principle					
Diversity and Inclusion 	<ul style="list-style-type: none"> Hiring from diverse cultural backgrounds, age groups, gender and abilities 	To champion a more inclusive society	<ul style="list-style-type: none"> Employment Diversity and equal opportunity 	Group-wide	Direct
Workplace Safety, Health and Well-being 	<ul style="list-style-type: none"> Providing our colleagues with a conducive work environment 	To ensure the physical, mental and social welfare of our colleagues	<ul style="list-style-type: none"> Occupational health and safety 	Group-wide	Direct
Strengthen Community Bonds					
Social Impact 	<ul style="list-style-type: none"> Supporting social development in the areas of art, children and education Encouraging innovation and enterprise, and nurturing start-ups and small- and medium-sized enterprises 	To strengthen our social fabric through community-building and helping individuals and organisations realise their potential	<ul style="list-style-type: none"> Local communities Indirect economic performance 	Group-wide	Indirect
Access to Financial Services 	<ul style="list-style-type: none"> Making banking services and products accessible to target segments of society to meet their needs and expectations 	To ensure that banking services and products are available through our comprehensive and diverse network of touchpoints	<ul style="list-style-type: none"> Local communities 	Business Units	Indirect
Anti-corruption 	<ul style="list-style-type: none"> Adopting zero-tolerance approach to bribery and corruption, and ensuring transparency and accountability 	To help build a more transparent and accountable global economy	<ul style="list-style-type: none"> Anti-corruption 	Group-wide	Direct
Environmental Footprint 	<ul style="list-style-type: none"> Managing our resources wisely by saving energy, reducing carbon emissions and resource consumption, and minimising waste 	To play our part in reducing climate change	<ul style="list-style-type: none"> Energy Emissions Effluent and waste Water 	Group-wide	Direct
Sustainable Procurement 	<ul style="list-style-type: none"> Adopting sustainable procurement practices 	To purchase from local suppliers where feasible	<ul style="list-style-type: none"> Procurement practices 	Group-wide	Indirect

Sustainability Governance Structure



In 2017, the Bank reviewed and updated our sustainability governance structure to include the Senior Management-level Risk and Capital Committee and the reconstituted ESG Strategy Group to ensure that sustainability factors were considered in all aspects of our operations. The ESG Strategy Group, comprising representatives from various business and support functions, reviewed material ESG factors, collated and assessed data, goals and targets and identified sustainability risks and opportunities with the guidance of the Risk and Capital Committee.

The Management Executive Committee (MEC), which comprises the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Head of Group Technology and Operations, Head of Group Retail, Head of Group Wholesale Banking and the Head of Global Markets, reviews and determines the material ESG factors and their scope. The MEC evaluates key performance indicators, reviews long-term business and organisational goals and provides the strategic direction for the Bank's sustainability practices.

Chaired by an independent director, the Strategy Committee has been delegated by the Board of Directors with general oversight of the Board's attention to the sustainability agenda.

* An ESG Committee was set up in early 2018 to replace the ESG Strategy Group. The ESG Committee reports directly to the Management Executive Committee on the Bank's sustainability matters.

Sustainability Reporting Frameworks and Principles

Our sustainability reporting is in accordance with the GRI Standards: Core option and selected indicators from the GRI G4 Financial Services Sector Disclosures paper. It also complies with the SGX-Securities Trading Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. The GRI Content Index, which indicates the location of the relevant disclosures, is on pages 267 to 271 of this report.

In defining our reporting content, we have applied the GRI Standards (GRI 101: Foundation 2016). We have also determined the reporting content on the basis of materiality assessment and stakeholders' interests, expectations and concerns. In that regard, we have considered the broader sustainability context in which we operate our business and we have reported our relevant performance for the past three years for the identified 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.

The ESG data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy, while our external sustainability consultant reviewed the data and information, verified samples of data and conducted interviews to ascertain accuracy.

Customers

UOB's heritage and values define and drive our customer-centric approach to building our business across the region. We are committed to acting in the best interests of our customers and to helping them meet their financial, business and lifestyle goals by providing the most appropriate solutions and services that suit their needs. As we harness technology to make banking simpler, smarter and safer for our customers, we also ensure that every digital experience is wrapped in the warmth of the human touch.

Our Customer Commitments

We are guided by four customer commitments 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 have uncompromising 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 matters to them with every interaction. By understanding them better, we anticipate our customers' needs and offer them the most relevant financial solutions.



Committed

Be There When It Matters

We always stand by our customers and this is enabled by our long-term business approach, strength and stability.



Our values guide all that we do and ensure that we act in the best interests of our customers.



Participants of a Fair Dealing workshop in Singapore.

Treating You Fairly

Ensuring a Culture of Fair Dealing

Integrity, trust and respect – core elements of Fair Dealing – are deeply rooted in all aspects of the relationships we nurture with our customers; from how we develop our products and services through to our after-sales care.

We ensure Fair Dealing remains central to our corporate culture by:

- offering products and services that are suitable for our customers;
- ensuring the competency of our colleagues 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 feedback in an independent, effective and prompt manner.

Our Fair Dealing Guidelines Committee champions Fair Dealing across the Group and assists the Board and the Senior Management in the delivery of Fair Dealing outcomes to our customers. As part of this, the Committee reviews and approves the action plans, guidelines, processes and practices to achieve Fair Dealing outcomes. It is responsible for establishing a management information framework for business functions to measure the achievements of Fair Dealing outcomes and conducts regular meetings with them to monitor their progress.

Our Product Sales Committee reviews and approves investment products distributed by UOB and its banking subsidiaries, as well as the relevant Product Due Diligence and Sales Governance Frameworks.

All UOB employees are required to complete an e-learning module on Fair Dealing every year. We reinforce our colleagues' understanding of the importance of Fair Dealing through regular internal communication campaigns.

In addition, we hold an annual Fair Dealing workshop in Singapore where various business and support units share their service improvement initiatives with one another. These initiatives are developed based on customers' feedback and the surveys that we conduct regularly across all customer segments.

At the workshop in 2017, more than 70 improvement initiatives were identified as part of our proactive and continual efforts to improve our processes, service standards and customer experience. The implementation of these initiatives has contributed to a 47 per cent rise in compliments and a 32 per cent decrease in complaints in 2017 from 2016, from our customers in Singapore.

Similar workshops will be organised across the region in 2018.

Measuring Customer Satisfaction and Retention

We are committed to improving the quality of our interaction and engagement with customers. To measure customer satisfaction and retention across our business and product groups, we use the Net Promoter Score (NPS) metrics which indicate the net 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.

Of the retail customers in Singapore who purchased investment and insurance products in 2017, 59 per cent stated they would recommend UOB to their friends and family, an improvement compared with 51 per cent the year before.

Customers

Resolving Customer Concerns Effectively

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

In 2017, 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 employees with the necessary skills to resolve customer complaints and to turn challenging situations into positive outcomes. In 2017, we conducted four workshops for 180 colleagues from China, Malaysia, Singapore and Thailand. We received the Kindness At Work Certificate of Recognition from the Singapore Kindness Movement for The Art of Service Recovery programme.

We are also involved in industry surveys which provide an objective gauge of our service standards. The surveys include the Customer Satisfaction Index of Singapore (CSISG), a respected industry benchmark administered by the Singapore Workforce Development Agency and Singapore Management University. Our CSISG score in 2017 showed an improvement of 0.9 points to 71.7, compared with the year before.

Responsible Financing

Just as we are prudent in our business practices to ensure financial stability through credit cycles, we are committed to mitigating environmental, social and governance (ESG) risks in our operations.

One of the ways in which we support sustainable development is through responsible financing. The Bank has dedicated resources with clear roles and responsibilities to implement it. The Credit Committee approves our Responsible Financing Policy, which is embedded within UOB's Group Corporate Credit Policy. This ensures that ESG considerations are integrated into our credit evaluation and approval processes. Management has oversight on ESG matters including climate change risks and opportunities which may impact our financing activities. Group Credit is responsible for ensuring that all ESG risks are adequately addressed and where necessary, borrowers or projects with high ESG risk will be escalated to the Group 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. Under the policy framework, 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 and their track record in sustainable business practices. We have also implemented sector-specific Credit Acceptance Guidelines and have ESG checklists in place to help our account officers in identifying, assessing and reviewing ESG risks.

Our borrowers are classified based on the level of ESG risk inherent in their business operations. Those that fall within the following eight ESG-sensitive industries defined in The Association of Banks in Singapore's (ABS) Responsible Financing Guidelines will be subject to enhanced due diligence with sector-specific guidelines.

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

We notify our borrowers of their need to adhere to our Responsible Financing Policy and seek their representation 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 and the World Heritage Convention.

We engage with our borrowers proactively and continually 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. For example, borrowers with any known ESG-related incidents will trigger an immediate review with the ESG risks to be addressed and managed appropriately. We require our borrowers to rectify any breaches of our policy within a reasonable timeframe with account officers responsible for monitoring their progress. However, if we deem our borrowers unable or unwilling to commit to managing the potential adverse impact of their operations, we may choose to review and to reassess the relationship.

Our Responsible Financing Policy also prohibits our financing of companies:

- with operations in UNESCO World Heritage Sites, RAMSAR Wetlands, forests of high conservation value or sites with critical natural habitat;
- 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 that violates the rights of local communities;
- involved in land clearance by open burning; and
- 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.

We review our Responsible Financing Policy periodically. In 2017, we incorporated the requirements of the ABS Haze Guidelines into our policy in relation to the agriculture sector, in particular with regard to the financing of palm oil plantations. The Haze Guidelines were developed by ABS in consultation with Singapore banks, including UOB, and underscores the industry's commitment to helping to address the transboundary haze pollution in the region resulting from land clearance by open burning.

In addition to the prohibition on open burning, we require our borrowers to comply with local regulations regarding the planting on peat and to work with local communities to put in place adequate measures on fire prevention, monitoring and suppression.

We review our portfolio's ESG exposure periodically. As at 31 December 2017, all the borrowers in the eight ESG-sensitive industries had undergone the ESG risk assessment with relevant risks adequately mitigated and managed. 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.

In 2017, we also stepped up our capacity-building efforts across the region with more than 80 per cent of our colleagues in relevant roles undergoing training on responsible financing. The training programmes enable them to understand our Responsible Financing Policy better, to strengthen their awareness of key ESG issues and to identify and to assess ESG risks more effectively. We also actively participated in sustainability forums and workshops organised by non-governmental organisations.

We will continue to work with prominent non-governmental organisations to conduct workshops for our employees and to engage with regulators to keep abreast of industry changes and evolving stakeholder expectations.

Promoting ESG Awareness



More than 100 UOB clients attended the Metals and Mining forum in Shanghai.

At UOB, we are committed to working with our clients in ESG-sensitive industries to promote ESG awareness. In September 2017, UOB organised a Metals and Mining Forum in Shanghai, China for more than 100 clients to gain insights from industry experts on environmental conservation, sustainable mining operations and the latest recycling technology and solutions for the sector.

Protecting Customer Data and Privacy

Protecting our customers' personal data and privacy is key to maintaining their trust in us. We have extensive policies and processes in place to ensure the confidentiality and security of our customers' information. We are also committed to complying with the Personal Data Protection Act of Singapore and 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 is strictly on a need-to-know basis;
- the integrity and security of personal data is paramount; and
- personal data that is no longer required for legal or business purposes must be destroyed securely in accordance with document retention policies.

Mindful of evolving threats and rising international data privacy standards, we conduct regular reviews to ensure the robustness of our systems. Data privacy impact assessments also form an integral part of our business and product development.

We have in place a data breach, complaint handling and escalation process and the Group Operational Risk Management reviews the monthly incident reports. Line data protection

Customers

officers at functional and business levels in Singapore and locally appointed officers at overseas locations 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 and Group requirements and assist in investigating alleged breaches. In addition, our people undergo annual online training on the principles, policies and procedures for data privacy and security.

We respect our customers' marketing preferences and have processes in place to record their consent to receive telemarketing calls and to allow hassle-free withdrawal of such consent. Customers have the right to request access to and correction of their personal data, and we facilitate their requests through various channels.

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 2017, there were no legal proceedings taken against UOB in respect of any data privacy breach, nor any fine or other sanction imposed on the Bank by the Singapore Personal Data Protection Commission.

Providing You with the Right Solution

Making Banking Secure and Simple Through Technology

We continue to invest in technology to enhance our product and service capabilities to meet our customers' changing lifestyles and business needs. Our technology investments focus on mobility, payments, connectivity and data, while strengthening our technology infrastructure to address regulatory changes and cybersecurity threats. In the last four years, we invested \$1.2 billion to improve our digital capabilities and to ensure a safe and efficient banking experience for our customers.

UOB Mighty

Banking is being increasingly conducted on smart mobile devices. To match our customers' lifestyle preferences, we continually look for ways to enhance our mobile service offerings and our all-in-one mobile app, UOB Mighty, is one way we are doing this. Since 2015, we have been championing integrated payment options for our customers through UOB Mighty.

In 2017, our customers were the first in Singapore to use their social messaging apps to pay via PayNow, a local peer-to-peer funds transfer service launched by ABS as part of Singapore's Smart Nation initiative. This was made possible with the launch of UOB MyKey – the Bank's mobile keyboard for Android smartphones that is part of UOB Mighty. During the year, we were the first and only bank in Singapore to enable customers to use PayNow through UOB Mighty to donate to charity. We also enabled Quick Response (QR) Code payments through UOB Mighty.

In addition, we launched the UOB Mighty in Malaysia, making it the first mobile banking app in Malaysia to incorporate banking, dining and payment features in a single app. In Thailand, UOB Mighty is also the first mobile banking app in the country to include contactless payments with a credit or debit card. This move is in line with the Thai government's National e-Payment initiative and PromptPay campaign to create a cashless society.

More information on UOB Mighty and other mobile banking solutions can be found in the Group Retail section of this report.

BizSmart

UOB BizSmart is a suite of cloud-based solutions that enables small businesses in Singapore to be more effective in their administrative processes. Since its launch in 2016, more than 1,300 small businesses in Singapore have benefitted from the UOB BizSmart solution.

In 2017, we partnered with SAP, a market leader in enterprise application software, to offer SAP Business One, a complimentary, entry-level solution to help our small- and medium-sized enterprise (SME) customers seize growth opportunities in the digital economy. This is the first time that SAP is offering the SAP Business One to SMEs through an Asian bank. The SAP Business One is available as part of UOB BizSmart and enables our customers to manage their company finances more effectively.

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

UOB Virtual Payment Solutions

To help our corporate clients manage the financial side of their businesses better, we launched the UOB Virtual Payment Solutions suite in 2017. This is Southeast Asia's first virtual accounts payable solution. It enables businesses to pay their vendors and suppliers through a virtual corporate credit card account even if these parties do not accept card payments. As the account reconciliation process for the UOB Virtual Payment Solutions is automated, the companies will be less reliant on manual processing and will be able to redeploy their resources to focus on other areas of business.

More information on our wholesale banking solutions can be found in the Group Wholesale Banking section of this report.

Global Payments Innovation

During the year, we signed up for SWIFT's global payments innovation (gpi) initiative. SWIFT gpi is a valuable addition to UOB's suite of financial solutions, enabling our clients to have greater visibility and control over their cross-border payments.

Application Programming Interface

In 2017, UOB participated in the development of an Application Programming Interface (API) Playbook for financial institutions in Singapore. The Playbook was issued by ABS to encourage financial innovation in the industry and to guide banks in developing and adopting an open API-based system architecture that will lead

to better customer experiences. In addition, we collaborated with financial technology (FinTech) companies to harness their creative strengths for our digital transformation.

We have developed an API Gateway to enable our ecosystem partners such as start-ups and e-commerce companies, to request for and to retrieve information from our Bank's systems seamlessly. This will enable our partners to develop solutions that link to our banking services while ensuring that our customers' information is protected and secure. We demonstrated the use of our Gateway and our APIs at the Singapore FinTech Festival 2017 where we collaborated with a FinTech company to host an Open Banking Masterclass for API developers.

Enhancing Our Efficiencies in Service of Our Customers

In 2017, we welcomed to the Bank our first virtual employees, Amy and Eve, to increase our operational efficiencies in providing services to customers. Using Robotics Process Automation, Amy and Eve are responsible for processing requests for Letters of Credit for our corporate clients and reviewing credit card applications respectively. The speed and accuracy at which Amy and Eve can process such transactions enable us to respond faster to our customers. By having robots take over the mundane data entry tasks, our people will be able to focus on serving our customers better and to extend more of the human touch to the customer experience.

Supporting Businesses Across All Stages of Growth

We understand the ambitions and difficulties faced by start-ups and emerging enterprises and we want to help them grow into sustainable businesses. As these companies scale their operations, we support their needs by offering industry insight and business advisory, and connecting them with alternative equity and debt funding providers for financing.

We are also contributing to the development of a FinTech ecosystem in Asia, including sharing our insights online on our UOB Tech Start-up website and by participating in various industry forums such as the Singapore FinTech Festival 2017.

On thought leadership, we collaborated with the Singapore FinTech Association, the ASEAN FinTech Network and EY to produce the *State of FinTech in ASEAN* white paper to help FinTech companies understand the potential business and collaboration opportunities in the region.



Ms Janet Young, Head of Group Channels and Digitalisation, holding a copy of the *State of FinTech in ASEAN* white paper at a UOB networking event for venture capitalists and FinTech start-ups.

Supporting FinTech Start-ups Through The FinLab

Through The FinLab, an innovation accelerator joint venture between UOB and SGINnovate, we provide guidance, resources and mentorship to FinTech start-ups to help them secure investor funding, to sign commercial deals and to expand into new markets.

In 2017, The FinLab completed its second accelerator programme, which saw the participation of eight promising FinTech start-ups from Canada, Israel, Malaysia, Singapore and the United Kingdom that were selected from 400 applicants across 44 countries. The graduates from The FinLab's second cycle developed and refined their FinTech solutions using technologies such as blockchain, artificial intelligence and machine learning, to drive innovation in regulatory technology, capital markets, business efficiency, financial inclusion, personal finance and mobile payments.

During the year, The FinLab also signed a Memorandum of Understanding (MOU) with the Shenzhen Internet Finance Association in China and the Internet Professionals Association in Hong Kong. The MOU aims to encourage knowledge exchange across borders and to help The FinLab's start-ups expand into China and Hong Kong.



Graduates of The FinLab's second cycle at their Showcase Day.

Customers

Providing Equity Crowdfunding in Asia Through OurCrowd

As SMEs form the backbone of Asian economies and as UOB is the largest SME bank in Singapore, we recognise our responsibility in nurturing the growth of small businesses. Since 2016, we have been working with OurCrowd, an equity crowdfunding platform, to support innovative Asian start-ups and SMEs with access to alternative financing options. We connect them to OurCrowd's global investor network to jumpstart their international expansion and business development.

Our collaboration with OurCrowd enables accredited investors among UOB's clients to broaden their investments into OurCrowd's portfolio companies. OurCrowd's portfolio of high-growth, technology-driven companies has also generated interest among our corporate and wholesale banking clients which are looking for innovative solutions for their business.

Accelerating High-Growth Companies Through InnoVen Capital

Through InnoVen Capital, our joint venture with Temasek Holdings, we provide entrepreneurs and start-ups in the region with venture debt financing to help them accelerate their growth and to increase the value of their businesses. InnoVen Capital focuses on sectors such as technology, consumer, education and healthcare. UOB and Temasek have each committed up to US\$100 million in paid-up capital to InnoVen Capital.

Since the start of our joint venture in 2015, InnoVen Capital has funded more than 20 high-growth companies throughout Southeast Asia including in Indonesia, Malaysia, Myanmar, Singapore and Thailand. InnoVen Capital also set up an office in Beijing in 2017 to expand its reach in Greater China.

Providing Shariah-Compliant Products and Services

Since 2016, we ventured into Islamic banking in Malaysia to meet the growing demand from customers looking for alternative sources of funding in Malaysia. In 2017, we continued to strengthen our Islamic banking operations in Malaysia to provide Shariah-compliant products and services to retail customers and corporate clients. We introduced Shariah-compliant contract financing facilities and provided longer tenures on our customers' Islamic term financing. We also laid the foundation to incorporate an Islamic asset management subsidiary in Malaysia.

We continued to improve our people's understanding and knowledge of Islamic banking and conducted Shariah-compliant training programmes for all customer-facing colleagues in Malaysia.

Knowing You Personally

Setting the Standard for Excellent Customer Experience

The passion to serve our customers is reflected in the accolades we have received over the years.



Our colleague Ms Carene Song from Customer Advocacy and Service Quality received the ABS Service Excellence Champion Award, the highest honour presented at the industry's annual award ceremony.

In 2017, a total of 1,290 UOB employees in Singapore were recognised for their service excellence at the ABS Excellent Service Award (EXSA). This is a record number of EXSA winners for UOB. Among our winners, 888 received the Star Award, the highest tier of the awards. UOB's representative also received the ABS Service Excellence Champion Award, which recognises exemplary banking and financial service. This is the fifth time in the past eight years that a UOB colleague has won this industry title.

Our Call Centre colleagues were also recognised for their dedication to excellent service. They won multiple awards at the Contact Centre Association of Singapore Awards:

- Best Contact Centre Team Leader of the Year (Gold)
- Best Human Resource Support Specialist of the Year (Silver)
- Best Contact Centre Support Manager of the Year (Silver)
- Best Contact Centre Manager of the Year (Bronze)
- Best Outsourced Contact Centre (Silver)
- Customer Experience Mystery Shopping Awards (Bronze)

To inspire and to encourage our people to keep raising the values-led standards of customer service across the organisation, we ran our Group-wide customer commitments campaign for the second year in 2017. The campaign culminated in a UOB Customer Commitments Awards (CCA) ceremony to recognise those colleagues who had been exemplary in serving our customers. We received more than 3,750 CCA nominations across the Group and we recognised 85 individual colleagues and 28 teams for being role models who had best demonstrated our customer commitments in their daily decisions and actions.



About 1,300 of our colleagues in Singapore were recognised at the ABS Excellent Service Award in 2017.

Being There When It Matters

Providing Access to Banking Through Our Extensive Network of Touchpoints

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 to ensure our customers can bank anytime, anywhere.

In 2016 we were the first bank in Southeast Asia to enable customers in Singapore to make contactless cash withdrawals simply by tapping their smartphones. Since then, we have added more than 230 NFC contactless ATMs in Singapore, including 140 touchscreen ATMs with a modern aesthetic look. We also continued to refresh our branches to create a more conducive and comfortable banking experience for our customers. For example, we introduced more comfortable seating and Quick Serve counters at selected branches. The Quick Serve counter enables our branch colleagues to welcome and to advise customers on financial solutions and services, with a personal touch.

In 2017, we opened our Kunming branch in Yunnan, China to help Chinese companies in Southwest China with their cross-border expansion into Hong Kong and Southeast Asia through onshore and offshore solutions such as cash management, foreign exchange hedging and supply chain financing.

In Indonesia, we renovated our Privilege Banking Centres in Jakarta and Medan as well as our universal branch in Jakarta to create a more conducive environment and better comfort for customer meetings. We also established a new Privilege Banking Centre within our branch in Ho Chi Minh City, Vietnam, to serve business owners better.

Enhancing Cybersecurity

At UOB, we use technology to provide borderless, reliable and efficient service, and are committed to protecting our customers from cybersecurity threats through maintaining the robustness



At the opening ceremony of our Kunming branch in Yunnan, China.



Our new Privilege Banking Centre in Ho Chi Minh City, Vietnam.

of our risk management systems. Our Group Technology Risk Management Framework outlines our cybersecurity policies, guidelines and tools to protect our customers' and the Bank's data and assets. The framework also incorporates comprehensive control requirements set out by the Monetary Authority of Singapore in its Technology Risk Management Guidelines.

Customers

Our team of dedicated Security Operations Centre specialists monitor, detect and respond to potential cybersecurity risks and threats. In addition, we conduct ongoing training on cybersecurity risks for our employees.

We collaborated with the 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, electronic mailers, text messages and mobile apps. In addition, our 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 global financial system and trust in the banking environment.

Our Commitment to Providing the Right Solution

A UOB corporate client wanted to buy a large stake in four heritage buildings in New York and there was stiff competition from other prospective buyers who were also interested in those buildings. It was a complex case, but our team in New York proposed a solution that met the client's expectations and also fulfilled our banking requirements. The client was able to close the deal on time before their competitors could counter bid.

"I owe you big time! This is a very important deal to us, we so really appreciate it."

UOB Customer

Offering Help in Times of Need

A UOB customer living in London was a victim of a card skimming scam and lost a large sum of money. Although she had blocked her credit card and submitted a claim against the credit card fraud, she was anxious about the outcome and shared her concerns with Ms Olivia Wong from the UOB London Branch. Ms Wong assured the customer and took charge of the matter. She kept the customer updated throughout the investigation process until the money was refunded to the customer's account.

"I just want to thank you so much for all your help and support with my case. The money is back now and safe! The quick resolution to this is because of your efforts and I am very grateful to you. Thank you so much for your kindness and professionalism. You helped me to feel much better."

UOB Customer

Building Lasting Relationships

A small business customer in Singapore needed to submit a Banker's Guarantee (BG) for a tender to his Indonesian client urgently and contacted Mr Colin Kwek from UOB

Business Banking for help. He quickly helped the customer to prepare the required forms that very day and worked over the weekend to ensure that everything was in order for the customer to submit his paperwork on Monday morning for processing. Mr Kwek monitored the processing status closely and the BG was ready on Tuesday although the customer had only expected to receive the BG later that week.

"In my years of working with bankers, I think Colin is really effective in meeting the needs of the customer. No other bank can compare with the service he has given. It is really a pleasure to know him and to be served by him. I would also like to thank you for training and guiding such a wonderful staff. Thank you for the wonderful service."

UOB Customer

A UOB retail customer in Singapore was trying to link his debit card to a taxi booking mobile app to pay for his rides but he did not know how to do so. He called the Bank's customer service hotline for assistance even though the mobile app was not a UOB product. Ms Sheny Koh of Call Centre attended to him and took the initiative to search online for information about the app. She guided the customer in linking his debit card to the app. She also took the time to explain the security features of his debit card such as setting a daily limit for spending, when he expressed his concern about using the card.

"I am a 75-year-old man and am not very familiar with a lot of things. Sheny explained everything to me from A-Z! I asked her question after question and she very patiently listened, guided me and tried her very best to explain to me. She's such a lady. You've got the best of the best! Your organisation should be very proud of her."

UOB Customer

Our Approach to Making a Difference for Our Customers

“What is a common everyday task to us may be something significant to the customer. I make sure I complete each task earnestly for them.”

Mr Paul Luo
UOB China



“As the philosopher Zengzi says, ‘吾日三省吾身’, which in essence means that every day, I reflect on my actions. This makes me think of how I can do things better for my customers’ benefit every day.”

Ms Yoki Li
UOB China



“Every handshake that I have with my customers signifies my commitment to care for them, through good and bad times.”

Ms Berdikarina Chandra Gimon
UOB Indonesia



“You must dig deep to know more about someone before you can provide them with the best service. Sharpen your intuition to help you make better judgement.”

Ms Yanti
UOB Indonesia



“I try my best to wow every customer, regardless of their status or background. My customers sense my sincerity and trust me to do my best for them.”

Mr Hazalan Bin Zakariah
UOB Malaysia



Customers

“My customers are delighted that I would call them every day to provide updates on their issues. It comforts them to know that I am only a phone call away.”

Ms Christine Low
UOB Malaysia



“I treat my customers as if they were my family members. This removes the barrier between us and it also motivates me to do my best for them.”

Ms Analiza Poh
UOB in Singapore



“Every time I help my customers, I would consider every possible scenario before coming up with a solution because I want to do my best for them.”

Ms Larissa Woon
UOB in Singapore



“For every person that I help, I gain a sense of satisfaction and find meaning in my work. This is the driving force behind my 15 years at UOB.”

Ms Nantiya Timakul
UOB Thailand



“The first step to building trust with customers is to understand them. I am always in touch with my customers to show my concern and to learn more about their needs.”

Mr Vorapat Pattarinthorn
UOB Thailand



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 deposit, insurance, secured and unsecured loans, investment, treasury and wealth advisory services. We also provide our Business Banking customers with loans, cash management and trade financing products 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, automated teller machines (ATMs) and internet and mobile banking platforms.

2017 Highlights

- Registered an 8.8 per cent year-on-year increase in operating profit, supported by strong growth in our credit card and wealth management businesses;
- Helped more customers grow their savings faster and invest more wisely through the launch of innovative banking solutions:
 - The UOB Young Professionals Solution helps our millennial customers to invest by “sweeping” earned interest from their UOB One Account and rebates from spending on the UOB YOLO credit card into a low-risk unit trust. This first-of-its-kind solution gives customers a headstart in building their wealth;
 - The KrisFlyer UOB Debit Card and Account, another first in Singapore, enables customers to earn KrisFlyer miles on their savings and spending;
 - The UOB Stash Account, a saving account which rewards customers with bonus interest when they maintain or increase their account balance; and
 - The UOB One Account, which won the Deposit Product of the Year at *The Asian Banker* Excellence in Retail Financial Services International Awards 2017, was extended to our customers in Indonesia and Malaysia to help them achieve sustainable yield on their deposits.
- Continued to lead the market in contactless payment and mobile banking solutions:
 - Worked with The Association of Banks in Singapore (ABS) to launch PayNow which enables people to transfer money through their mobile or internet banking with just the recipient’s mobile phone number or identification number;
 - First bank in Singapore to enable the use of PayNow via social media messaging apps through the launch of UOB MyKey, a customised mobile phone keyboard;
 - First and only bank in Singapore to enable customers to donate to charity through PayNow;
 - First bank in Asia to enable our customers to make contactless payments through Fitbit Pay™; and
 - Increased the number of our Near Field Communication (NFC) contactless ATMs to 270 across Singapore.
- Registered a 12 per cent increase in total wealth management assets under management (AUM) to \$104 billion. Also recorded a three-fold increase in our Private Bank’s Discretionary Portfolio Management (DPM) service AUM;
- First bank in Asia to tie up with SAP to offer SAP Business One, an enterprise planning tool, to small- and medium-sized enterprises (SMEs) through UOB BizSmart; and
- Launched Business Banking service in Vietnam to support the growth of local SMEs.

Group Retail

2017 Performance

In 2017, our Group Retail business performed strongly, with our total income and operating profit rising 9.4 per cent and 8.8 per cent year on year respectively. Core to this growth was our ability to serve the financial needs of Asia's rising middle class and to support the growth ambitions of small businesses through our comprehensive range of financial solutions.

We continued to manage our expenses prudently and maintained our cost-to-income ratio at 50 per cent as we stepped up our investments in technology to drive performance and to enhance the customer experience. Our return on assets for 2017 improved 11 percentage points year on year to 1.48 per cent.

From our Personal Banking customers, we continued to see stable and active current account and saving account balances, as well as active card use. The UOB Stash Account and the KrisFlyer UOB Debit Card and Account were key product launches during the year. Our total retail deposit base grew by 6.4 per cent compared with the previous year while our credit card fee income rose by 10 per cent.

On the home loan front, we outpaced market growth rates and gained share in new mortgage sales. Riding on the more upbeat property market sentiment and our customers' increasing use of online research, we were able to facilitate an additional \$100 million in new loans in Singapore through the provision of online education and home loan tools.

In wealth management, our total AUM as at the end of 2017 was \$104 billion, up 12 per cent from the previous year. Wealth management fees rose by 36 per cent, driven by higher sales of treasury products and unit trusts. For our Private Bank, we continued to invest in our people, products and platform, resulting in an increase in both income and profit in excess of 20 per cent year on year.

Business Banking posted healthy growth of 7.9 per cent in operating profit in 2017, driven by our continued efforts in support of our customers' digitalisation and internationalisation plans. About 40 per cent of Business Banking's operating profit came from Indonesia, Malaysia and Thailand, where we continued to support our customers' businesses and growth plans. In tandem with our growing customer base and distinctive solutions, our deposits rose 8.3 per cent year on year.

Outlook

In 2018, we will ensure that our financial solutions remain relevant to meet the ever-changing needs of our customers. With market expectations of rising interest rates, our focus will be on helping our Personal Banking customers grow their wealth by investing wisely.

We will continue to use UOB's Risk-First wealth advisory approach with our customers across different wealth segments. Our Risk-First managed solutions help customers to meet their core financial goals without taking on excessive risks.

In line with Singapore's Smart Nation agenda, we will extend our digital banking capabilities to make banking simpler, smarter and safer. As we do so, we will leverage our successes from one market and adapt them to others. We will continue to integrate digital and traditional channels to offer customers intuitive, omni-channel experiences, all the while wrapping technology in the warmth of the human touch.

Our commitment towards digital innovation also extends to our Business Banking customers. Together with our ecosystem of strategic partnerships, we will help small businesses use digital solutions to meet their needs, to overcome their challenges and to scale their operations.

Personal Financial Services

Harnessing Technology to Make Banking Simpler, Smarter and Safer

UOB has been a leader in providing innovative payment choices for our customers since the launch of our first payment card in 1988. Since then, we have pioneered many payment firsts including:

- First in Singapore to support all five global payment schemes (Visa, Mastercard, American Express, JCB and UnionPay);
- First in Singapore to offer contactless payments at merchants;
- First in Singapore to facilitate contactless payments for commuters;
- First in Singapore to offer EZ-Link card top ups with credit cards or smartphones;
- First in Singapore to turn a mobile phone into a security token;
- First in Singapore to provide unified point-of-sale terminals for merchants;
- First in the world to offer instant card issuance; and
- First in Southeast Asia to offer contactless ATM withdrawals through a smartphone.

In 2015, we again led the industry when we launched Singapore's first all-in-one mobile application (app), UOB Mighty. UOB Mighty combines banking services, contactless payments, dining and rewards in a single, unified mobile app. UOB Mighty continues to set the benchmark for innovation, having won *Retail Banker International's* Excellence in Mobile Banking in Asia every year since the app's launch.



Our customers were among the first in Singapore to pay for their meals at hawker centres by scanning NETS QR codes with their mobile phones.

In 2017, we built upon our UOB Mighty innovations with the launch of PayNow, an industry-wide initiative to enable peer-to-peer funds transfers based on a mobile number or identification number. In keeping with our strategy to provide one mobile app to fulfil our customers' financial needs, we integrated PayNow into UOB Mighty.

We also took the service further when we became the first bank in Singapore to make it possible to use PayNow through any social messaging app. With our partner PayKey, we created UOB MyKey, which uses the default keyboard within social messaging apps such as WhatsApp and Facebook Messenger to connect quickly and conveniently to PayNow. As UOB MyKey is built within our UOB Mighty infrastructure, it also uses the same security standards our customers enjoy when using our mobile app.

Tapping the simplicity, speed and security of PayNow, we also launched PayNow for a Cause in Singapore to give our customers a convenient way of donating to charity using just a mobile number. UOB's campaign coincided with the National Volunteer & Philanthropy Centre's Giving Week and together with our customers, we raised more than \$120,000 for infants and children from SPD.

Another UOB Mighty innovation launched during the year was the inclusion of NETS Quick Response (QR) codes into our app. UOB customers were among the first in Singapore to be able to use QR codes to pay for their meals at hawker centres in Singapore using their mobile phones.

For the times when our customers still need cash, we continued to increase the number of contactless ATMs. We now have 270 ATMs in Singapore where customers can withdraw cash with a tap of their smartphones.

Taking the lessons we learned in Singapore, we have since launched UOB Mighty in Malaysia, Thailand and Vietnam.



In addition to digital banking services, our Direct Banking mobile app in China offers customers comprehensive information on wealth management solutions and lifestyle offerings.

In Malaysia, UOB Mighty is the first to incorporate banking, dining and payment features in a single app, while in Thailand it is the first banking mobile app to offer contactless payments with a credit or debit card, a feature that supports Thailand's national e-payments initiative to promote a cashless society.

In China, where cashless payments have become mainstream, we launched the UOB Direct Banking mobile app. We were the first foreign bank in China to offer an app that integrates wealth management solutions and lifestyle offerings for emerging affluent customers. Customers can open a bank account, manage their finances and make investments with the app while on the go. They can also make appointments with their relationship manager to sign up for other UOB products and services. In addition, the app provides customers with lifestyle recommendations ranging from travel and entertainment to parenting and education.

We were also one of the first foreign banks to offer WeChat Pay, one of China's major mobile payment services, to our customers. By linking their UOB debit card to their WeChat account, our customers can transfer funds and make payments easily and conveniently.

In addition to mobile payments, we also made it easier for our customers to make payments using wearable devices. Our customers in Singapore were the first in Asia to be able to use Fitbit Pay™ to make contactless payments using the new Fitbit Ionic™ smartwatch, combining their interest in staying fit and healthy with their preference for simple and quick payments.

We were also the first bank in Asia to enable commuters to pay for train and bus rides by simply tapping their Mastercard contactless credit or debit cards at the fare readers. The pilot programme, in partnership with the Land Transport Authority and TransitLink in Singapore, was part of our continued efforts to facilitate contactless credit and debit payments for public transport services.

Group Retail



The KrisFlyer UOB Debit Card and Account brings together two Singapore brands in creating an innovative banking solution that earns customers KrisFlyer miles when they save and spend.

Creating Financial Solutions Essential for the Lifestyles of Our Customers

To help our customers across the region extract the most value from their money, in 2017 we launched our award-winning UOB One Account in Indonesia, Malaysia and Thailand. The UOB One Account offers customers higher-than-average interest rates when they pay with the credit or debit card linked to the saving account. The UOB One Account, which was first launched in Singapore, was named Best Deposit Product of the Year at *The Asian Banker* Excellence in Retail Financial Services International Awards 2017.

Building upon the success of the UOB One Account, we launched a new saving account in Singapore during the year – the UOB Stash Account. While the UOB One Account rewards customers for their payment habits, the UOB Stash Account rewards customers with bonus interest when they maintain or increase their monthly saving balance.

Also during the year we launched the UOB Young Professionals Solution, Singapore's first banking solution to help young professionals start building their wealth in an easy and convenient way, based on their existing lifestyle choices. The UOB Young Professionals Solution uses an innovative "sweep" function to collect the interest earned on a UOB One Account and the rebates from spending on a UOB YOLO credit card into a

low-risk unit trust. The UOB YOLO card continued to be popular among millennials and during the year we crossed the milestone of 100,000 customers. One feature of the UOB YOLO card that has proved popular is the innovative quick-read card face, which makes it easier for our customers to make online purchases.

With travel named consistently as one of our customers' favourite things to do, UOB launched Singapore's first banking solution that rewards customers with frequent flyer miles for their saving and spending behaviour. With the KrisFlyer UOB Debit Card and Account, our customers can earn miles under the Singapore Airlines Group's frequent flyer programme when they use their debit card to make purchases or put their money into their saving account. Customers can use the KrisFlyer miles they earn for award flights and upgrades on Singapore Airlines and SilkAir, or for travel vouchers on Scoot.

Helping Our Customers Safeguard and Grow Their Assets

To ensure our customers understand the risks before they consider any potential return when investing, we use a Risk-First approach and proprietary investment allocation methodology to help them ascertain their risk appetite and tolerance. This approach, which has been implemented in our Southeast Asian markets, helps customers meet their investment needs, safeguard their assets and build sustainable income streams before taking on more risks through tactical investments.

Our Risk-First approach also extends to how we create structured deposits. In 2017, we were the first retail bank in Singapore to offer our customers a structured deposit linked to a low-risk unit trust which provides customers 100 per cent principal guarantee if they hold the five-year tenor investment to maturity. Through such first-to-market solutions, we aim to protect our customers from potential market volatility and to provide attractive yields via an underlying option strategy. To complete our structured product services, during the year, we also piloted our UOB Equity Trading Service to meet our customers' trading needs in the Singapore and US markets. Our Risk-First approach in developing structured products was recognised when we received the Best Distributor and Best Performance awards in Singapore at the *Structured Retail Products Asia-Pacific Structured Product and Derivative Awards 2017*.

Drawing On Data to Design Intuitive Customer Experiences

We continue to extract meaningful insights from data and to tap our understanding of our customers' lifestyle preferences. These enable us to develop distinctive solutions and experiences to support how they chose to live, to work and to play.

For instance, recognising that more potential home owners are doing more of their research online than before, we curated content online and through social media to provide advice on how customers could maximise their savings, understand the obligations of taking out a home loan and manage mortgage payments. This online engagement strategy facilitated an additional \$100 million in new loans in Singapore.

Recognising Singaporeans' love of dining out, in 2017 we launched The Dining Advisor, an online food guide designed specifically to help them search for the best dining experience and card deals. We integrated it into our UOB Mighty app to ensure optimal use of our customers' mobile screen. The Dining Advisor is complemented by YOLO EAT!, an online tool that provides UOB YOLO cardmembers with recommendations on relevant dining offers based on their preferred locations. The innovative features of the UOB YOLO card won it the Credit Card Initiative of the Year award at the *Asian Banking and Finance Retail Banking Awards 2017*.

A pioneer in recognising the power of the female dollar, we launched the UOB Lady's Card 27 years ago. In 2017, we used our insights into the needs and wants of women and gave the card a new look and campaign. The makeover, initially for our Singapore card, was subsequently rolled out in Indonesia, Malaysia and Thailand.



Our range of UOB Lady's Cards, designed by acclaimed designer Vivienne Tam, received a makeover in 2017.

UOB Private Bank

Growing and Preserving Wealth for the Next Generation

UOB Private Bank is dedicated to managing the wealth of high-net-worth individuals with \$5 million and above of investment assets. As part of UOB's one-bank approach, our clients can tap the Group's comprehensive suite of personal, business and investment product and services to meet their financial objectives.

The strong performance of our Private Bank in 2017 was the result of our regional expansion efforts, the deepening of our relationships with clients and the close collaboration with Group Wholesale Banking.

As part of strengthening our Private Bank capabilities, we continued to invest in our people, products and platform. On the people front, we doubled the number of bankers managing our clients' wealth in 2017. We also embarked on a three-year digitalisation programme to enhance our client engagement infrastructure to help our bankers be more effective in advising our clients and in providing them personalised and up-to-date information.

On the product front, our investment team continued to create innovative investment solutions for our clients. We launched our DPM service in 2016 and since then have provided an average return of 10 to more than 30 per cent for our DPM portfolio. The confidence our clients are placing in us resulted in a three-fold increase in our DPM AUM in 2017.

We also organised several investment forums for our clients in Bangkok, Jakarta, Kuala Lumpur, Manila, Shanghai and Singapore to share global market trends and investment strategies.

Group Retail

Business Banking

Helping Small Businesses Improve Their Productivity Through Digital Capabilities

UOB's eight decades of experience in serving SMEs gives us a deep understanding of the opportunities and challenges that companies face today and may face in the future. To that end, our Business Banking team focuses on creating small business solutions that enable companies to progress through different stages of growth.

For example, in managing their day-to-day operations more efficiently, our customers can choose the UOB BizTransact Account or the UOB eBusiness Account both of which enable them to 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.

UOB BizSmart, a suite of cloud-based integrated business solutions, was launched in 2016 and since then, more than 1,300 small businesses in Singapore have benefitted from it. UOB BizSmart helps companies to manage key operating processes such as accounting, human resource management, inventory management, employee management and information security. The automation of these processes also captures data to help businesses improve efficiency.

In 2017, we stayed focused on helping small businesses succeed in their digitalisation journey by collaborating with SAP to offer SAP Business One – a scalable solution providing key functionalities to help businesses digitalise back-office processes such as accounting and sales – within our BizSmart solution. The UOB-SAP tie-up is the first time SAP has collaborated with an Asian bank to offer SAP Business One.

“Once the processes for UOB BizSmart were all set up, I could imagine the inefficiencies we might have had to deal with if we had used a more traditional system where you need to do data entry every day. The important data of the business is now always at our fingertips.”

Mr Lwee Jia Wei
Co-Founder, Boulder Movement

During the year, we also signed a Memorandum of Intent with the Infocomm Media Development Authority in Singapore to help small businesses improve their digital capabilities under the SMEs Go Digital initiative. As part of the collaboration, UOB will provide SMEs access to financial instruments such as bridging loans to help them defray the cost of investing in digital capabilities. We have also trained 50 of our business bankers so that they can better advise and guide small businesses which want to take advantage of the scheme.

To help small businesses seize more opportunities in the digital economy, we also partnered Google, Spring Singapore, International Enterprise Singapore and other industry players for the second consecutive year on Go Global, an initiative that helps Singapore's SMEs expand their businesses internationally. Through a web-based learning platform, SMEs in Singapore can access digital tools and banking solutions to take advantage of export opportunities. In 2017, this initiative enabled more than 2,500 SMEs, including 350 UOB customers, to digitalise their business and to venture overseas.

In Indonesia, we worked with DOKU, an electronic payments provider, to create an e-Payroll mobile app to help SMEs shorten the time needed to process salary payments from an average of three days to just one day. Our partnership with DOKU is the first between a bank and a local financial technology company in Indonesia to create a solution for small businesses.

Creating Financial Solutions Specifically for Small Businesses

For many small businesses, cash flow is a concern. Understanding that companies need working capital quickly for their day-to-day operations, we launched UOB BizTrade+ in Singapore and Thailand. Through UOB BizTrade+, UOB is the first bank to provide trade loans of up to \$1 million with simpler and faster application and approval processes. We also introduced the Express Banker's Guarantee (BG) for our non-borrowing customers in Singapore so that they can receive a BG within three working days instead of the previous standard of two weeks.

UOB BizMoney, our collateral-free unsecured business loan, continued to meet the needs of small businesses which are looking to extend their cash flow. In 2017, we disbursed a total of \$280 million of such loans to close to 2,000 customers in Singapore, Malaysia and Thailand.

To help our customers manage rising business costs, our virtual marketplace, BizExchange, offers small businesses a one-stop shop for a wide range of business essentials, such as travel, stationery, general insurance as well as courier and logistics services. BizExchange also enables our customers to enjoy cost savings from bulk-purchase deals and preferential rates negotiated by UOB with suppliers. In 2017, we saw close to 9,000 customers in Singapore access BizExchange to procure their business essentials.

To increase engagement with our customers, during the year, we also launched UOB InBusiness, a dedicated website which provides essential insights on key topics that small businesses should be aware of in order to stay relevant in today's competitive market.



Through the Banker's Executive Certification Programme, our business bankers are better equipped to help small businesses in Southeast Asia meet their business needs and overcome challenges.



Developing the Skills of Our Business Bankers

In 2017, we continued to equip our business bankers in the region with deeper skills in various areas including financial management, credit knowledge and trade financing so that they can better support the domestic and cross-border demands of small businesses. During the year, we launched

the Banker's Executive Certification Programme in Thailand and Vietnam in collaboration with the Thammasat Business School and the Foreign Trade University respectively. One hundred bankers from across five of our markets – Singapore, Indonesia, Malaysia, Thailand and Vietnam – have graduated from the programme.

Deepening our Presence in Vietnam

Following the awarding of a foreign-owned subsidiary bank licence in Vietnam to us, we launched our Business Banking service to help small businesses in Vietnam prosper. The range of services we provide includes transaction accounts to help small businesses manage their day-to-day expenses and operations, small business loans to finance the growth of the business and to extend cash flow, and trade financing solutions to manage import and export supply chain payments.

We also made it easier for small businesses to apply for the services they need through digital means. For example, a company can easily submit its account or loan application through UOB Vietnam's website or our mobile app for businesses, UOB Business, without needing to visit the branch. If approved, the company will be able to activate its UOB business account or receive in-principle approval for its loan application in one business day.

We were also the first bank to partner the SME Vietnam Network, which aims to help its SME members share best practices and exchange business opportunities. Under this partnership, the Bank will extend exclusive offers for business accounts and lending schemes to members of the SME Vietnam Network until the end of 2018.

In addition, we signed a Memorandum of Understanding with Toong, Vietnam's first professional large-scale co-working space, to provide our customers with preferential lease rates at any of Toong's five co-working office spaces in Ho Chi Minh City, Hanoi and Da Nang. Our customers will also have access to Toong's business partners, including legal and accounting firms, for advice on matters such as local incorporation.

"We have been growing our business steadily through online sales channels and recognised that we needed new products to meet the increasing demand from our customers. We faced many difficulties in trying to secure the funding needed until we started working with UOB. We received prompt approval from the Bank and the funds enabled us to expand our product range to grow our business."

Ms Dang Thi Khanh Le
Managing Director, Grown Tech Company

Group Wholesale Banking

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 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.

2017 Highlights

- Generated strong year-on-year increase of 8.8 per cent in overall non-loan revenue, driven by growth in our cash management (10.4 per cent) and trade finance (13.7 per cent) businesses and Global Markets (5.1 per cent) activities;
- Maintained resilience of the asset quality of our overall wholesale loan portfolio, despite pressure from oil and gas and related portfolios;
- Accelerated our investments to deepen our integrated solution capabilities and to enhance our domestic and cross-border product lines;
- Launched Southeast Asia's first virtual accounts payable solution to help our clients automate their account reconciliation processes;
- Expanded our client coverage teams in our key markets and established industry-focused Sector Solutions teams to provide tailored, industry-specific solutions;
- Supported the regional expansion plans of more than 500 new and existing clients with our Foreign Direct Investment (FDI) Advisory services, bringing the total number of companies we have helped to more than 1,600;
- Increased our efforts in facilitating China-ASEAN business flows along the Belt and Road Initiative (BRI) through new partnerships and our new Kunming branch in Yunnan, China;
- Appointed as the sole financial adviser and sole acquisition finance provider for one of the largest public market acquisitions in Singapore since 2014;
- Secured top position in *Bloomberg's* Singapore Borrower Loans Mandated Lead Arranger League Table; and
- Named Best Transaction Bank in Singapore at *The Asian Banker* Transaction Banking Awards 2017, and received more than 20 other industry awards across the region in recognition of our Transaction Banking capabilities.

2017 Performance

The global economy in 2017 experienced the broadest-based improvement since 2010. However, depressed commodity prices, particularly those of oil and gas, dampened regional economic growth which impacted the performance of companies across Asia.

Despite continued macroeconomic challenges which affected our lending revenue streams, we recorded a year-on-year increase of 0.6 per cent in total revenue in 2017. This was attributed to the 8.8 per cent rise in non-loan revenue on the back of the strong performance of our cash management and

trade finance businesses and Global Markets activities, which saw growth of 10.4 per cent, 13.7 per cent and 5.1 per cent respectively. During the year, we also saw strong year-on-year performance by our Global Financial Institutions Group and Structured Trade Commodity Finance segments, and moderate revenue growth in our Commercial Banking business.

In 2017, we continued to accelerate the investments in our product and digital capabilities to develop a sharper competitive edge in cash management, trade finance and supply chain solutions, and to offer our clients seamless access to our Global Markets solutions. Across the region, we also remained focused on building up our client coverage teams in our key markets and sharpening our industry-specific expertise by setting up dedicated Sector Solutions teams to provide tailored solutions to our clients.

As a result of our investments and efforts, we increased our rate of new client acquisitions and diversified our revenue sources in 2017. We stayed disciplined in our expenses across the region, with a 6.9 per cent increase year on year in operating expenses. While net profit before tax in 2017 was impacted by increased allowances for credit losses, our underlying portfolio remained strong with our revenue streams demonstrating strong growth rates.

Outlook

The global economic recovery is expected to maintain its momentum in 2018 with a more positive growth outlook for Asia. We continue to be encouraged by Asia's long-term prospects anchored by economic stability in China. We also remain optimistic about ASEAN's growth prospects, underpinned by its vast and growing consumer market, substantial intra-regional trade volume and continued investment flows.

Trade and investments flows in ASEAN are also set to benefit significantly from the China-led BRI, which will continue to open up business opportunities and to drive increased regional connectivity. To help more companies expanding from China into ASEAN and vice versa, in November 2017 we opened our Kunming Branch in Yunnan, the third UOB branch in West China, to offer both onshore and offshore financial solutions in support of our clients.

UOB's unique combination of scale and expertise in local markets and our regional network capabilities enables us to support our clients in realising their long-term growth aspirations as they grow and expand throughout Asia. To partner our clients in their expansion as they seize the opportunities arising from multilateral economic initiatives and the region's growing consumption demand, we will continue to deepen our cross-border product capabilities

in Transaction Banking and Global Markets instruments. We will also continue with our investments to sharpen our edge and expertise across the predominant industries in Asia to provide integrated solutions that address our clients' business requirements and challenges.

Commercial Banking

Enabling the Growth of Medium-Sized Businesses

Our Commercial Banking teams are dedicated to supporting UOB's medium-sized clients by providing a full suite of Wholesale Banking solutions to help them achieve their business objectives. As their preferred banking partner, UOB's products and services are developed in accordance with and customised to our clients' needs as they manage and grow their businesses within and across borders.

One area of focus is on helping companies grow and improve their business efficiency through simple, quick and effective means by harnessing technology. This is why we work with financial technology (FinTech) partners to provide solutions that drive enterprise productivity and growth. In 2017, we collaborated with Nufin Data Pte Ltd on NEMO™, their cloud-based supply chain financing solution that helps companies digitalise their back-office processes while also enabling quick access to financing options.

In the same year, we launched Southeast Asia's first virtual accounts payable solution, the UOB Virtual Payment Solutions suite, to help our clients use technology to overcome their business challenges. The UOB Virtual Payment Solutions suite enables companies to pay their vendors and suppliers through a virtual corporate credit card account even if these parties do not accept card payments. The UOB Virtual Payment Solutions suite also lessens companies' dependence on manual processing as it automates the account reconciliation process, minimising human error and freeing up resources for other areas of operations.

As our clients expand across Asia, they look for a banking partner that has the regional presence and experience to connect them to business and investment opportunities. Our FDI Advisory Unit, which was established in 2011, has been at the forefront of helping our clients seize such opportunities.

Through our 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.

Group Wholesale Banking



The Memorandum of Understanding (MOU) with CCOIC builds on UOB's existing efforts in facilitating Chinese business investment in Southeast Asia.

In 2017, we signed an MOU with the China Chamber of International Commerce (CCOIC), China's national business association, to deepen our support of Chinese companies expanding through the BRI into the region. The agreement with CCOIC is an extension of UOB's longstanding partnership with the China Council for the Promotion of International Trade (CCPIT). UOB was the first and only bank in ASEAN to enter into MOUs with both CCPIT and CCOIC.

Through the CCOIC-UOB collaboration, Chinese companies represented by the CCOIC can access UOB's comprehensive suite of local and cross-border solutions, as well as the ecosystem of strategic partners across the Bank's Southeast Asian network. Both parties will also facilitate UOB's regional clients' projects and businesses in China.

“UOB, with its extensive network in Southeast Asia, has been a strong partner for us as we promote China's economic and trade relations with the region. We believe that the CCOIC-UOB MOU is instrumental in our support of companies across sectors as they seize business opportunities arising from the continued progress of the Belt and Road Initiative.”

Mr Jiang Zengwei
Chairman of CCPIT and CCOIC

In 2017, we also stepped up our efforts in Europe with the development of a UK-ASEAN corridor initiative, in which we work with like-minded partners and government agencies to facilitate trade and investment flows proactively.

Harnessing the strengths of UOB's extensive network, over the last six years we have provided our FDI Advisory services to more than 1,600 companies from around the world in their expansion into Asia and facilitated capital flows of close to \$90 billion into the region.

Supporting Entrepreneurship and Business Growth Through Venture Debt

We continue to support entrepreneurship by extending venture debt financing to high-growth and innovative start-ups in Asia through InnoVen Capital, our joint venture with Temasek Holdings. Since the joint venture was set up in 2015, InnoVen Capital has funded more than 20 promising companies across Southeast Asia including Singapore, Indonesia, Malaysia, Myanmar and Thailand.

Tapping InnoVen Capital's expertise in assessing the business potential of start-ups and complementing its offering, we also extend additional funding under the SPRING Venture Debt Programme to Singapore-based start-ups, typically for the purchase of technology-related assets. Outside Singapore, UOB also collaborates with InnoVen Capital to provide

financing to its portfolio companies in countries such as Malaysia and China. Following the setup of InnoVen Capital's office in Beijing in 2017, we will be able to help accelerate the commercial viability of more Chinese start-ups without them having to pledge additional collateral or to dilute their stakeholdings.

InnoVen Capital has also invested in a number of technology start-ups in India, several of which have seen significant growth and have begun entering Southeast Asian markets backed by InnoVen Capital's cross-border financing support.

Corporate Banking

Providing Integrated Financial Solutions to Large Corporate Clients

Our Corporate Banking client teams specialise in serving large Asian corporations as well as North American and European multinational corporations (MNC) operating in Asia. We tap our strong regional network, deep in-market insights and our local and regional expertise to provide them with integrated financial solutions.

We are distinctive in meeting the local, cross-border and multiple-market needs of our large corporate clients. We provide regionally-integrated, multiple-product solutions in cash management, trade finance, financial supply chain management, treasury and investments in fixed income, currencies and commodities, as well as capital market advisory services.

In 2017, we continued to create value for our clients by supporting their business needs. For example, UOB was the sole financial adviser and sole acquisition finance provider for one of the largest public market takeovers in Singapore – the acquisition of United Engineers Limited and WBL Corporation Limited by Perennial Real Estate Holdings Limited. We were also the joint bookrunner and underwriter for NetLink NBN Trust's initial public offering (IPO), the largest Singapore Exchange Mainboard IPO since 2011, which received the Best IPO, Singapore award at *The Asset Triple A Country Awards 2017*.

“UOB supported my first transaction on the syndicated acquisition of I12 Katong when I started my own business. Since then, the trust and relationship have grown from strength to strength. The Bank has continued to demonstrate its strong support as one of the core bankers of Perennial. UOB differentiates itself by staying close to us, understanding our business needs and responding expediently with tailored solutions to support our growth journey. The reliable partnership is deeply valued and we hope to strengthen our relationship further as we scale our business.”

Mr Pua Seck Guan
Chief Executive Officer, Perennial Real Estate Holdings Limited

During the year, we also developed new client relationships as we helped large-sized companies meet their working capital requirements and market hedging needs. This included the provision of banking solutions to help the subsidiaries of our existing clients meet their financial needs as they expanded across Asia.

We continued to explore opportunities to collaborate with our existing clients and to assist them in their digitalisation efforts to ensure the future-readiness of their business. We also enhanced our client coverage of the various corporate segments across Asia.

“Tan Chong has had a relationship with UOB for more than 30 years. We value the Bank's insight, advice and customised solutions. Through its extensive network and experienced sector specialist experts, UOB has also provided sound advisory on our deal flows to meet our investment needs across the region. Being a bank that we can trust, UOB is a strong banking partner to help us grow in Asia.”

Mr Wan Chun Shong
Senior General Manager, Tan Chong Group

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

The Structured Trade and Commodity Finance teams support and complement our clients in the commodity value chain through the provision of trade finance structures ranging from pre-export, shipment sales, inventory and borrowing base and receivables financing.

In 2017, the global commodity market recovered from prolonged low prices, leading to the increase in cross-border trade opportunities. We remained prudent in managing our clients' commodity risk exposure and capitalised on the Bank's strong network franchise to nurture new and existing client relationships. We also tapped strategic bilateral relationships to facilitate an increase in trade volumes among our clients and to support their regional expansion plans, which in turn enabled us to achieve revenue growth.

During the year, we also intensified our cross-functional and regional collaboration efforts with our product partners to help our clients achieve working capital efficiencies and improve their risk management. This was done by providing them with cross-border cash management solutions and hedging solutions across commodities and derivatives.

Group Wholesale Banking

Global Financial Institutions Group

Supporting Financial Institutions in Their Regional Expansion

Our Global Financial Institutions Group combines our local market knowledge and regional expertise to support our Financial Institution clients which include 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 the gateway cities in Australia, US and UK by offering comprehensive solutions in cash management, trade financing, interest rate and currency derivatives, hedging, specialised finance structures and capital markets.

Our commitment to creating value for our clients has enabled us to establish ourselves as a trusted partner for their regional business. To serve the strategic needs of our clients better, since 2015 our team of more than 100 dedicated, sector-specific coverage bankers and analysts across UOB's global network has been strengthening our coverage of this client segment. In 2017, we successfully grew our client portfolio and deepened our existing partnerships with leading financial institutions. This enabled us to achieve healthy revenue growth of 15.7 per cent for the year.

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

Tapping the strengths of UOB's extensive network, credit ratings and product partners, we offer solutions ranging from bullion and commodities, secured financing and bank risk trade financing to cash and liquidity management and global funds origination.

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

We have also established our capabilities in structured finance origination across the capital structure spectrum, from debt and equity to hybrid security and financial derivatives, to drive targeted client origination opportunities across the UOB franchise. In addition to the suite of core solutions from Global Markets, Transaction Banking and Investment Banking, in 2017 we helped our financial institution clients to optimise their capital and liquidity positions. In doing so, we assisted them in managing market risks against the backdrop of continued market volatility and potential disruption by emerging FinTech players.

With immense business opportunities arising from the BRI, Greater China remained as one of our market priorities with structured finance and infrastructure financing among our key focus areas.

Group Transaction Banking

Creating Client Value Through Working Capital, Cash Flow and Liquidity Solutions

Group Transaction Banking is focused on developing financial solutions in cash management, trade finance and financial supply chain management to help our clients optimise their business operations and cash flow, and enhance working capital efficiencies.

To support the increasing internationalisation of our clients' businesses, we have in place experienced teams of cash and trade product specialists in China, Hong Kong, Indonesia, Malaysia, Myanmar, Singapore, Taiwan, Thailand and Vietnam. Our regional operating model also ensures that we capitalise on the strengths of our existing in-market franchise to provide our clients with seamless, integrated and borderless expertise and solutions.

In 2017, we enhanced our financial supply chain management capabilities across Asia, helping our clients to connect efficiently with their supply chain strategic partners. This was done by streamlining our credit evaluation framework and through a disciplined onboarding model, enabling us to address working capital gaps of key counterparties for our MNC and large corporate clients. As a result of our stronger client engagement, the revenue contribution from our financial supply chain management business more than doubled for the year.

During the year, we also launched a range of liquidity management solutions that helped large corporates to achieve greater levels of self-funding and to enhance their interest earnings, which in turn improved their treasury management. For example, our regional multi-currency interest optimisation solution assists our clients in improving the yield on their cash holdings across various entities and locations without the physical movement of funds. Through the implementation of this scalable solution, we enabled our clients to enhance the returns on their operating funds without affecting the efficiencies of their entities' day-to-day operations.

As a result of our sustained efforts in helping our clients meet their needs and overcome their challenges, our overall revenue grew strongly by 10.3 per cent year on year, driven by a 13.7 per cent increase in our trade income that included strong growth in the Financial Institutions segment. We also recorded a 10.4 per cent growth in cash management revenue, attributed to a positive performance by our Singapore dollar clearing business and continued development of our regional capabilities. Group Transaction Banking contributed to more than a third of Group Wholesale Banking's total revenue in 2017.

We received 23 industry awards across Asia in recognition of our competitive and customer-centric product offerings, our highly competent cash and trade product specialists and the constructive collaborations we have with our clients. These awards included Best Transaction Bank, Best Cash Management Bank and Best Trade Finance Bank in Singapore at *The Asian Banker* Transaction Banking Awards 2017, Best

Bank in Singapore at the *Asiamoney* Cash Management Client Satisfaction Awards 2017 and Best Cash Manager in Singapore in the *Euromoney* Cash Management Survey 2017, as ranked by corporates and non-bank financial institutions.

We also received multiple awards for our cash management, treasury, working capital, supply chain finance and structured trade solutions across our Southeast Asian markets.

Group Investment Banking

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

Group Investment Banking focuses on providing investment banking solutions across debt and equity capital markets and event-driven services in areas such as corporate finance, mergers and acquisitions, leveraged finance, project finance and specialised finance. This multi-product focus enables us to structure solutions that are customised to Group Wholesale Banking clients' financing and corporate advisory needs.

In 2017, UOB led several landmark event-driven transactions and improved our market share of flow products, such as syndicated loan and fixed income. In addition to our support of the acquisition of and mandatory cash offer for United Engineers Limited and WBL Corporation Limited, we acted as the sole financial adviser and acquisition finance provider to Respond Logistics Pte Ltd for its \$275 million acquisition of Poh Tiong Choon Logistics Limited. In Thailand, UOB also acted as financial adviser and mandated lead arranger to TOA Venture Holding Company Limited on its tender offer for the securities of Sherwood Chemicals listed on the Stock Exchange of Thailand.

During the year, we remained one of the top mandated lead arrangers for debt capital markets (DCM) syndicated loans in Asia (excluding Japan and Australia). In 2017, we were ranked first in Singapore on *Bloomberg's* Singapore Borrower Loans Mandated Lead Arranger League Table with 33 transactions, and third in Southeast Asia with 49 transactions.

Our landmark syndicated loan deals in Singapore also included the \$600 million term loan facility for Suntec REIT, \$420 million refinancing term loan facility for Savu Investments Ltd and \$900 million term loan facility for LN Development (Stirling) Pte Ltd.

We also capitalised on UOB's regional network and cross-border capabilities to arrange several significant financing transactions. These included a US\$500 million term loan facility for PT Bank Negara Indonesia (Persero) Tbk, US\$200 million revolving credit facility for PT Tower Bersama Group, NT\$2.3 billion term loan facility for Wei Chuan Foods Corporation, HK\$3.1 billion refinancing for China Mengniu Dairy Company Limited, HK\$1.8 billion term loan facility for CSI Properties, US\$579 million and RMB900 million acquisition term loan facilities for a portfolio company of Gaw Capital, US\$1.5 billion revolving credit facility for Vitol Asia Pte. Ltd., and a A\$569 million term and revolving credit facility for Gallop Finance Pty. Ltd, a portfolio company of Blackstone Real Estate.



UOB received recognition as both the issuer and dealmaker for our bond issuances at *The Asset Triple A Country Awards 2017*.

In 2017, 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 across Singapore, Malaysia and Thailand.

In the Singapore dollar bond market, we lead-managed four of the six largest deals in 2017, including HSBC's S\$1.0 billion perpetual non-call five-year Basel III-compliant Additional Tier 1 capital securities, Housing & Development Board's S\$900 million five-year notes, Singapore Airlines Limited's S\$700 million eight-year notes and UOB's S\$750 million 12-year non-call seven-year Basel III-compliant Tier 2 capital securities.

UOB's successful issuance of the tightest-ever coupon and spread in Singapore dollar for a 12 non-call seven Basel III Tier 2 offering led to the Bank receiving two Best Bank Capital Bond, Singapore awards as the issuer and as joint lead manager at *The Asset Triple A Country Awards 2017*.

We also received two Best Covered Bond, Singapore awards, as issuer and as joint bookrunner and lead manager, for UOB's dual currency US\$500 million and €500 million covered bonds which was Asia's first dual currency covered bonds issuance.

In addition, we lead-managed all six bank capital transactions in Singapore in 2017 and brought several foreign issuers to the Singapore dollar market. These included Commerzbank AG's S\$500 million 10-year non-call five-year Tier 2 notes, Landesbank Baden-Württemberg's S\$300 million 10-year non-call five-year Tier 2 notes and BNP Paribas SA's S\$250 million 7.5-year senior non-preferred notes.

In the Malaysian ringgit corporate bond market, we arranged SkyWorldCapital's RM50 million Musharakah programme and RM400 million Murabahah programme, which won the Structured Finance Deal of the Year at the *Islamic Finance News Deals of the Year Awards*. In the Thai baht corporate bond market, we executed several high profile deals, including Land & Houses Plc's THB7.0 billion senior unsecured debentures, Pruksa Real Estate Plc's THB5.0 billion senior unsecured debentures and UOB (Thai) Plc's THB6.0 billion Tier 2 Basel III-compliant subordinated debentures.

Global Markets

Global Markets offers financial products and solutions to help our clients meet their investment, liability and risk management needs. We develop and customise comprehensive treasury products and services across multiple asset classes. 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.

2017 Highlights

- Provided our clients with market access solutions to facilitate their investments into markets where they do not have direct access such as China and India;
- Offered cross-border and cross-currency solutions to help our clients optimise their funding and investments amid changing market conditions;
- Facilitated onshore Ringgit foreign exchange (FX) hedging activities for our corporate and financial institutional clients outside Malaysia via our global network as an Appointed Overseas Office (AOO) under Bank Negara Malaysia's AOO Framework; and
- Kept our clients abreast of economic developments, business challenges and potential opportunities in the region through organising seminars on topical issues.



We helped our Greater China corporate clients understand the region's complexities and challenges and identify potential investment opportunities at a seminar we organised in September 2017.

2017 Performance

In 2017, our Sales and Structuring teams remained focused on helping our clients seize the right market opportunities. As a result, we saw a strong take-up rate for our investment and hedging solutions in FX, interest rates, credit and commodities. This in turn contributed to an increase in our overall transaction

volumes of 18 per cent and revenue growth in our Business Banking and Financial Institutions Group client segments of 11 and 12 per cent respectively. Our total operating income, however, fell 12 per cent due to lower contribution from trading income.

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.

Our 2017 revenue was well-diversified across geographies. Our North Asian markets registered solid double-digit growth, while income growth in our Southeast Asian markets was modest due to the muted market environment and spread compression during the year. Nevertheless, there was strong demand for onshore hedging of the Ringgit under Bank Negara Malaysia's AOO framework.

During the year, we enhanced our market connectivity and capabilities to facilitate our clients' cross-border investments. For example, UOB is a Foreign Portfolio Investor in India and a Qualified Foreign Institutional Investor in China, enabling us to help our clients invest in Indian and Chinese securities respectively. We also offer our clients access to the Chinese bond market via the China Interbank Bond Market and Bond Connect schemes.

We deepened our client engagement efforts through the sharing of economic, market and industry insights at a series of seminars. These included the UOB ASEAN-China seminar held in September 2017, during which our Greater China corporate clients heard from UOB's experts and gained insights into the region's challenges and opportunities.

Outlook

The US Federal Reserve is expected to increase its benchmark interest rate in 2018 as part of its monetary policy normalisation process and to continue with its balance sheet reduction programme. These developments are likely to exert upward pressure on US interest rates in 2018. In the event of a convergence in monetary policies globally, Asian central banks will likely normalise their monetary policies, which could lead to an increase in their domestic interest rates.

We expect the financial markets to remain volatile in an environment dominated by monetary policy normalisation or balance sheet reduction by most central banks. While the US economy is set to benefit from the passage of the US tax reform bill, the macroeconomic outlook could be affected by surprises from inflation, trade policies and geopolitical events.

Against the backdrop of expected volatility in interest rates, FX and commodities prices, we anticipate increased demand for tailored hedging solutions across multiple asset classes, and investment solutions to tap market opportunities.

Global Markets Sales and Structuring

Helping Our Clients Manage Their Investments, Liabilities and Risks

2017 was yet another volatile year for interest rates and FX. Amid the volatility, UOB supported our clients' business needs actively, providing them with timely market intelligence and customised solutions.

During the year we offered our corporate clients structured solutions to cap their floating interest rates risk. We also executed our first metals reverse repo transaction, a secured funding transaction linked to physical commodities. This product enables our clients to improve their liquidity position by monetising their metals inventory at a lower cost of funds.

In light of the growing demand from a broader range of clients across Asia, we widened our fixed income and credit derivative footprint into Hong Kong and started offering Asian corporate bonds denominated in US dollar and Australian dollar. We also enhanced our fixed income capabilities by offering secured financing against corporate bonds, including funding solutions with longer-dated maturities and tri-party solutions, to meet our client's liquidity requirements.

UOB continues to be one of the leading institutions offering structured deposits for the retail market. In 2017, we were the first Singapore bank to launch successfully a fund-linked structured deposit product to our retail customers, enabling them to enjoy principal protection and fund-linked returns.

Group Commodities, Brokerage and Clearing

Refining our Offering to Serve Our Clients' Needs Better

In 2017, we restructured our commodities and bullion businesses and Group Bullion, Brokerage and Clearing was renamed Group Commodities, Brokerage and Clearing (GCBC).

With alignment to our clients' business needs as the key focus of this restructuring initiative, we expanded our trading and structured solutions in other commodities and added precious metals trading to our suite of products and services. Our enhanced offerings in commodities hedging and investments provided our regional clients with more comprehensive solutions beyond FX and interest rate hedging. We also developed our gold loan business to meet the strong demand from our institutional clients in Greater China.

Our foreign exchange margin business remained a key growth driver for GCBC. Singapore and Hong Kong, as top FX and wealth management centres in Asia, continued to be the key markets from which we serve our clients' needs.

We are also committed to providing our clients with trading and clearing access to major exchanges around the world. In recognition of our longstanding support of our clients, in 2017 we were named by the Singapore Exchange (SGX) as among the Top SGX-Derivatives Trading Members 2017 and Top Commodities General Clearing Members.

Investment Management

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

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

2017 Highlights

- UOB Alternative Investment Management (UOBAIM) was restructured as part of UOBAM Group, adding its alternative investment products and services to UOBAM's range of investment solutions;
- Included environmental and social considerations into UOBAM's securities evaluation and approval process for our equities portfolio, and launched the United Thai Equity Corporate Governance Fund in Thailand to promote sustainable investing;
- Partnered T. Rowe Price International Ltd. (T. Rowe Price) to offer retail investors opportunities to tap long-term growth trends in technology and innovation through the United Global Technology Fund (UGTF);
- Launched UOBAM Invest, Singapore's first digital advisory service for companies to manage their discretionary investments. UOB's Group Commercial Banking clients were the first to access UOBAM's portfolio solutions through the service;
- Recognised as a leading asset manager in Asia with UOBAM receiving more than 10 awards from across the region, including Best Fixed Income Fund House at the Morningstar Singapore Fund Awards 2017;
- Added to UOBVM's investee portfolio by leading the Series B financing for Ruanguru, an Indonesian education technology (EdTech) start-up that provides students across Indonesia affordable access to quality educational content; and
- Supported the promotion of inclusive financing in Myanmar by investing in a microfinance institution, Alliance for Microfinance in Myanmar Ltd (Alliance Myanmar), through the Asia Impact Investment Fund (AIIF), a collaboration between UOBVM and Credit Suisse AG, Singapore Branch (Credit Suisse).

2017 Performance

In 2017, UOBAM entrenched our presence as one of the largest unit trust managers in Asia, with assets under management (AUM) increasing 13.8 per cent year on year to \$34.6 billion as at 31 December 2017.

Focusing our investments on the five key themes of well-being, happiness, energy and logistics, industry 4.0 and technology, UOBVM managed more than \$1 billion in AUM in 2017.

Outlook

UOBAM remains positive about the performance of global equities in 2018 and also continues to seek quality investments in fixed income. To help our clients diversify their portfolio risks and improve their risk-adjusted returns, we help them tap alternative investments.

To maintain our competitive advantage, we continue to scale UOBAM's business by enhancing our technological capabilities and deepening our presence in market and expanding into new geographies. For example, in widening our product offering, we set up UOB Islamic Asset Management Sdn Bhd

in Malaysia to meet the local demand for Shariah-compliant fund management services. The new entity will also support UOB's Islamic banking business in Malaysia and will enable us to expand these services into UOB's other markets such as Brunei and Indonesia.

UOBVM will continue to invest in areas where we see attractive growth prospects regionally. In maintaining a strong pipeline of deals, we evaluated close to 600 potential investees to identify high-quality companies and to seize meaningful investment opportunities.

UOBVM plans to launch the fourth series of our ASEAN China Investment Fund (ACIF) in 2018, with a target fund size that is 1.5 times larger than the third series. The ACIF will continue to promote the adoption of sustainable business practices by providing early-stage and growth capital to promising companies in the region.

UOB Asset Management

Offering Our Clients Access to a Wider Range of Investment Opportunities Across Asia

In 2017, UOBAM welcomed UOBAIM and its suite of alternative investment products and services into our group of companies.

Since 2006, UOBAIM, formerly known as UOB Asia Investment Partners, has been tapping the Bank's experience in Asian alternative investments to help global accredited investors access such opportunities across the region. The restructuring of UOBAIM as part of UOBAM Group means that alternative investments that were previously available only to institutional and more sophisticated investors will now be made available to retail investors through UOBAM's regional distribution network. UOBAM's institutional investors will also be able to diversify their multi-asset portfolios further with the addition of alternative investments.

In 2017, we started to incorporate environmental, social and governance (ESG) considerations into our active equity investment research processes and securities evaluation and approval process. This means that all securities need to achieve the required standards in terms of ESG ratings and quality assessment to be included on our approved investment list.

Recognising the rising demand for sustainable investments, we also launched the United Thai Equity Corporate Governance Fund in Thailand as part of UOBAM (Thailand)'s participation in the Association of Investment Management Companies' sustainable investing campaign. The campaign aims to encourage Thai-listed companies to improve their corporate governance and social responsibility.

We also strengthened our equity product offering for retail investors when we launched the UGTF in partnership with US-based T. Rowe Price to participate in the growth of technology companies and technology trends. Through the UGTF, retail investors may achieve long-term capital appreciation by investing in well-known global technology stocks with disruptive business models such as Netflix and Alibaba. They would also be able to invest in companies, such as Tesla, that are at the forefront of using artificial intelligence, machine learning and cloud computing to grow their business. The UGTF is offered in Singapore and in Malaysia.

Investors' search for yield continued in 2017 with retail demand for income-generating funds remaining strong. To meet this demand, we launched in Singapore the United SGD Plus Fund, which invests primarily in fixed income or debt securities in Asia to help maximise long-term returns for investors through capital appreciation and income amid expectations of higher inflation and rising interest rates. In Malaysia, our new United Global Income Fund, a multi-asset all-weather fund targeted at sophisticated investors, applies a flexible asset allocation strategy to gain the best income and capital growth opportunities for investors.

During the year, we deepened our collaboration with UOB to enhance the accessibility of our product offerings.

Young professionals in Singapore starting to build their wealth can choose to invest in our award-winning United SGD Fund through the UOB Young Professionals Solution, designed for emerging affluent millennials between 24 and 35 years old. The solution helps these customers to invest by "sweeping" into the fund earned interest from their UOB One Account and rebates from spending on the UOB YOLO card.

In December 2017, we introduced our digital advisory service, UOBAM Invest, to UOB's Group Commercial Banking clients. UOBAM Invest is Singapore's first digital advisory service for companies to manage their discretionary investments using our proposed portfolio solutions. The service will be offered to UOB's other corporate clients, as well as to retail investors and across UOBAM's network in Asia.

Operationally, using technology to increase our efficiencies was a key priority for UOBAM in 2017. For example, we invested in digital solutions in areas such as data optimisation to enable our colleagues across our front, middle and back offices to identify investment opportunities more effectively and to strengthen our advisory and sales capabilities.

UOBAM's investment excellence continued to gain industry recognition in 2017. We were named Best Fixed Income Fund House by global investment research company Morningstar and received the Best of the Best Performance Awards for Asian Bonds (10 years) award at the *Asia Asset Management Awards* for the second consecutive year.

Investment Management



UOBAM was awarded Best Fixed Income Fund House by Morningstar in recognition of our strong investment performance.

In Singapore, several of our funds, namely the United Asian High Yield Bond Fund, the United Emerging Markets Bond Fund, the United SGD Fund and the United Global Healthcare Fund, also received awards. Our investment team's expertise was acknowledged at *The Asset Benchmark Research Awards 2017* where two of our fund managers were honoured for being among the "Most Astute Investors" in the region. In Thailand, UOBAM (Thailand) was awarded the Best Investment Management Company from *World Finance* for the third consecutive year.

During the year, UOBAM also received accolades including Best Alternative Investment Manager at the *WealthBriefingAsia Awards 2017*, Best Diversified Absolute Return Hedge Fund Manager in Asia at the *Acquisition International 2017 International Fund Awards* and Best in Investment Advisory Services at the *Corporate LiveWire 2017 Global Funds Awards*.

In addition, our flagship multi-manager Asian hedge fund, Asia Alpha Fund, won the Fund of Hedge Funds Multi-Strategy Award and Fund of Hedge Funds Specialist Award at the HFM Asia Hedge Fund Performance Awards 2017 in recognition of its strong performance.



UOBAM's expertise garnered industry recognition in 2017, including at the *WealthBriefingAsia Awards 2017*.

UOB Venture Management

Investing Responsibly to Support Economic and Social Development

UOBVM pursues responsible investment opportunities in support of economic and social development. Since 2004 with

the launch of our flagship ACIF, we have incorporated ESG assessment in our investment evaluation process. Our team of experienced investment professionals in Singapore, Indonesia and China identifies and assists promising entrepreneurs in revenue and profit margin expansion and provides them with advisory on enhancing their ESG practices.

In 2017, the third series of the ACIF continued to invest in privately-held companies that capitalise on growth opportunities in trade, knowledge transfer and capital flows between ASEAN and China.

We led the Series B financing for an EdTech company, Ruangguru. The company offers affordable access to quality and interactive digital-based educational content to educators and students, especially those from lower-income families, in all 34 provinces across Indonesia. With close to six million users of its services in more than 19,000 schools, Ruangguru is a market leader in EdTech in the country.



We invested in Ruangguru, an EdTech company that provides students across Indonesia affordable access to quality educational content.

UOBVM also manages the AIIF, which invests in socially-responsible, high-growth companies that help to improve the living standards of low income communities in Southeast Asia and China, in collaboration with Credit Suisse. Tapping the combined expertise of both organisations, the AIIF offers high-net-worth and institutional investors opportunities to contribute to social and environmental improvement through social impact investing.

In 2017, the AIIF invested in Alliance Myanmar, which provides microfinancing and financial education to the less privileged communities in Myanmar with a focus on female entrepreneurs. The funding was in support of Alliance Myanmar's continued expansion, outreach and development of its service portfolio.

During the year, another UOBVM fund, the UVM 3 Venture Investments LP, was awarded "Preferred Provider" by Mercer Investment Solutions (Singapore) Pte Ltd, the independent rating agency appointed by Contact Singapore for its Global Investor Programme (GIP). The GIP accords Singapore Permanent Residence status to foreign investors with a substantial business track record and successful entrepreneurial background who intend to drive their business and investment growth from Singapore.

Colleagues

The decisions we make and the actions we take are guided by our values of Honour, Enterprise, Unity and Commitment. This is also expressed in how we care for the professional and personal development 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 committed to developing among our colleagues a sense of belonging to UOB.

Our Employee Commitments

Our values give us a shared sense of identity and 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 people and our customers.



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 people to take ownership of their career paths.



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 make a real difference to shape our future and to add value to the lives we touch.



Committed

Lead by Positive Example

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

Colleagues

2017 Highlights

- Introduced UOB+you, our distinctive employee value proposition designed to help attract, to engage and to retain people with the right values and mindset;
- Conducted a Group-wide Employee Survey to gather feedback on how well we live up to our values;
- Launched our Leadership Right By You programme to equip managers with the skills to become a distinctive UOB Leader;
- Launched the inaugural UOB Honours Awards where we recognised 15 teams for their achievements in living our values and celebrated the dedication of more than 850 long-serving colleagues across the Group;
- Recognised 85 individual colleagues and 28 teams across the Group for being role models at our UOB Customer Commitments Awards;
- Enhanced flexible work arrangements with the introduction of Flexi2 and Work from Home initiatives across the Group;
- Enhanced paternity and parental leave to improve work-life harmony for employees; and
- Received 10 industry awards across China, Hong Kong, Singapore and Thailand for outstanding human resources and workplace practices.

Doing What is Right

Our Commitment to Fairness

UOB is committed to building a safe, nurturing and inclusive workforce where all colleagues are treated respectfully and professionally and are given equal opportunity based on merit. We promote work-life harmony and a workplace 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. Upon joining, all new colleagues are informed of, and sign up to, their obligations and rights under this code. All existing employees are also required to refresh their knowledge and to renew their commitment to our Code of Conduct through completing an e-learning module every year.

Maintaining a Risk-Focused Organisational Culture

We are steadfast in maintaining the trust our stakeholders have placed in us. We do this through our focus on values-led decision making and behaviour, and ensuring a strong risk-focused organisational culture. Our comprehensive framework of policies, processes, methodologies and tools help us identify, measure, monitor and manage material risks and opportunities faced by the Group. Where applicable, employees' key performance indicators also include risk control metrics.

Ongoing training is an essential part of our efforts to ensure a risk-focused organisation. The topics for our training courses include anti-money laundering, countering the financing of

terrorism, assessing and addressing operational and security risks, business ethics, core ethics for financial advisers, Fair Dealing ethics, global fraud prevention, financial crime prevention, IT security and cyber risk awareness, regulations on short-selling, and the UK Bribery Act. Several of our training programmes are also available online. This provides our colleagues more flexibility to learn and to complete the courses. In 2017, each colleague across the Group spent an average of 13.3 hours on training related to risk management.

Our colleagues also participated in conferences, seminars and workshops to learn more about risk management industry trends and best practices. Some of the events included the Financial Crime Seminar by The Association of Banks in Singapore and the ASEAN Regulatory Summit by Thomson Reuters.

Encouraging Employee Feedback

We value feedback from our people on our workplace culture and on how well we are upholding our values. In 2017, we invited all colleagues to participate in an online employee survey. Close to 70 per cent of our people completed the survey and their input will help to shape our people-focused programmes.

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

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 61.9 per cent of our permanent employees as at the end of 2017 and 57.9 per cent of all the hires in 2017.



Ms Susan Hwee, our Head of Group Technology and Operations, speaking at the Singapore FinTech Festival in November 2017. Women form 40 per cent of our department heads.

Women held 36.4 per cent and 51.6 per cent of senior and middle management roles respectively. They also accounted for 40 per cent of department heads, who are Senior Management reporting directly to the Group CEO or a Country CEO.

Offering Re-employment to the Silver Workforce

Recognising the depth of knowledge and experience that older colleagues bring to the workplace, we enable them to continue working beyond the statutory retirement age. In Singapore, we offered re-employment opportunities to 147 colleagues who were eligible for retirement, 74 of whom were women.

Developing an Inclusive Workplace

Our diverse workforce extends beyond a mix of age and gender. The UOB Scan Hub – our nerve centre for checking, digitising and archiving of customer documents – employs people with autism or with hearing impairment, for their special abilities such as a sharp eye for detail, high levels of concentration and the ability to work methodically. These are specific skills which are very suitable for some of the functions at the UOB Scan Hub.

In 2017, we increased by 30 per cent to 23, the number of our UOB Scan Hub colleagues with special needs. We continue to partner the Autism Resource Centre and the SPD in Singapore on

a structured training programme for people with special needs to work at UOB Scan Hub and to ensure the work processes and the office environment are suited for their needs.

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 employees' lawful right to freedom of association and collective bargaining. Our approach is to maintain mutually trusted and respectful relations with employee unions. We hold regular meetings with union representatives to understand and to address their concerns and expectations.

In Singapore, we engage three unions, namely The Singapore Bank Officers' Association, Singapore Bank Employees' Union and the Singapore Manual and Mercantile Workers Union. We engage four unions in Malaysia and one in Indonesia.

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 2017, the proportion of unionised to non-unionised employees in Singapore, Malaysia and Indonesia was 33.4 per cent, 87.4 per cent and 29.2 per cent respectively.

Advancing Workplace Safety and Health

Creating a healthy, safe and harmonious workplace is important to us and we have established a Group-wide workplace safety policy and guidelines to identify and to address health and safety risks. In Singapore, UOB is certified as BizSAFE Level 2 by the Workplace Safety and Health (WSH) Council. Our WSH Workgroup plans and implements various health and safety initiatives. The workgroup includes representatives from different business units and functions. Each department has its nominated WSH leaders, assistant leaders, managers and assistant managers and we aim to take the necessary measures to eliminate health and safety risks. The representatives attend the risk management course approved by Singapore's Ministry of Manpower.

Building Meaningful Careers

Offering a Distinctive Employee Value Proposition

With people critical to the success of our long-term business strategy, in 2017 we launched UOB+you, an integrated approach to attracting, to engaging and to retaining the best talent. Our distinctive employee value proposition is built upon our values of being Honourable, Enterprising,

Colleagues



Our first batch of financial advisers in Malaysia to undergo the UOB-ABS Wealth Advisory Certification Programme. This is one of our many training and development programmes.

United and Committed. UOB+you captures the essence of UOB's employment experience and is supported by a wide range of programmes that cover flexible work arrangements, health and wellness, employee welfare benefits, training and development courses and recognition programmes.

Developing Our Colleagues

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 serve our customers and to realise our own full potential.



Participants at the 2017 UOB Leadership Academy with our senior leaders.

In 2017, we invested \$21.3 million in training our people across the Group. Our people completed an average of 43 training hours per person in 2017, which equates to about 1,090,000 hours Group-wide, an increase of 19.7 per cent over 2016.

Leadership Development and Succession Planning

Leadership development continues to be a key focus for UOB. 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 effectively for talent development at middle and senior

management levels. Individual Development Plans are created for each of our identified talents and are updated on an annual basis. In 2017, we moved the OPR process online to enable the Committee and business leaders to plan and to track development activities more efficiently.

Succession planning is an integral part of our OPR and we have succession plans in place for key positions across the Group. Successors to critical roles are provided opportunities in various working committees across the Group to broaden their exposure and learning. The Board of Directors regularly reviews our succession plans through the Nominating Committee. The segment and function heads have the responsibility for their respective talent pools. The Human Resources Committee manages the Group's collective talent pool.

Strengthening the Leadership Capabilities of Our Line Managers

Our new Leadership Right By You initiative is a suite of four development programmes to equip newly-promoted or hired leaders with the required skills based on our UOB Leadership SEED (Strategise, Engage, Execute, Develop) Competency Model. Almost 300 managers completed the programme as at the end of 2017.



Eighty-eight new First Line Managers from various functions across the Bank at the launch of the Leadership Right By You initiative in 2017.



Our UOB Thailand colleagues at their Leadership Right by You training session.



The 32 Management Associates chosen from almost 22,000 applicants, with our senior leaders at the 2017 induction ceremony.

Strengthening the coaching capabilities of our leadership team was also a focus of 2017 and as such we launched the inaugural International Corporate Coaching programme for Executive Directors and Managing Directors. Twelve leaders have completed the certificate programme, of which four have gone on to complete the prestigious Worldwide Association of Business Coaches' Registered Corporate Coach certification.

Grooming Young Talent

Our increasingly-popular 18-month UOB Management Associate programme aims to attract high-calibre, early-career talents from across the region to take on roles in UOB. In 2017, we received almost 22,000 applications for our programme from which 32 fresh graduates from top universities in China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand were selected for this programme. The number of applications was an increase of 16 per cent over 2016. Selected Management Associates are given overseas assignments to gain regional experience. Since the programme started in 2004, we have hired 529 Management Associates and nearly half of them are still with the UOB Group, with many having progressed well in their careers.

Building Capabilities for the Future

As we anticipate the needs of a new generation of increasingly tech-savvy customers, we have also sharpened our digital skills training programmes.



The launch of our PCP in Singapore was attended by Ms Indraneel Rajah, Senior Minister of State for Law and Finance, and Mrs Josephine Teo, Minister in the Prime Minister's Office and Second Minister for Home Affairs and Manpower, and our senior leaders.



Our people at a design thinking workshop as part of the PCP.

In 2017, we launched a Professional Conversion Programme (PCP) for our employees in Singapore to strengthen their digital capabilities and to prepare them for future roles in the financial sector. The PCP, developed in collaboration with Workforce Singapore, the Monetary Authority of Singapore and The Institute of Banking and Finance, adds to our existing training programmes that prepare our people for the future. In the first phase of the PCP, our customer-facing colleagues, from service associates to assistant branch managers, underwent a series of training programmes covering areas such as design thinking, customer journey design, channel management, and scenario analysis and planning. Each course, ranging from three to 12 months, was conducted through classroom learning, workshops and on-the-job training. About 900 branch colleagues will undergo the PCP over the next two years.

As an organisation focused on keeping the customer at the centre of all that we do, we have been upgrading the design thinking and human-centred design skills of our people. About 1,200 employees from various functions have attended design thinking workshops to equip them with the skills to develop creative solutions that meet and exceed business and customer needs.

Colleagues



Our HR colleagues attending a design thinking workshop as part of the UOB HR Academy.

We continued our UOB SUMMIT (Social, Unity, Motivation, Mastery, Innovation, Technology) programme in Singapore to offer more opportunities for employees to update and to upgrade their skills to be future-ready. 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 3,078 colleagues attended 492 programmes under UOB Summit in 2017.

Deepening Our Human Resource Capabilities

In 2017, we upgraded the skills of our Human Resources (HR) team through design thinking workshops as well as the creation of the UOB HR Academy to strengthen our HR capabilities. We also piloted an HR Analytics Workshop for our HR business partners to help them to be more adept at using data and drawing insights from it in order to make fact-based workforce decisions.

Managing Employee Performance

UOB is committed to fostering a meritocratic, performance excellence culture in the workplace. Our integrated performance management framework, which comprises four stages namely Plan, Engage, Appraise and Keep Track (PEAK), is designed to assess and to reward performance in an objective and fair manner and to support career development.

Using the PEAK framework, colleagues establish their business and personal development goals at the start of the year in consultation with their managers. Performance Improvement Plans are also developed for the weaker performers. Managers are encouraged to hold discussions with their team members throughout the year to review their progress and to address their challenges.

At the end of the year, all eligible permanent employees are assessed through performance appraisals against agreed key performance indicators and job-related competencies. The performance assessment structure also includes a values component to reinforce the importance of upholding our UOB values.

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 eligible permanent employees 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

In 2017, we introduced new flexible work options to help our colleagues balance their work and personal commitments. These programmes have been launched in China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand, and will be implemented in phases across the rest of the Group during 2018.

Examples of our flexible work options are:

- Staggered work hours giving employees greater flexibility in managing their daily work schedule;
- Two hours of paid time off (Flexi2) every month for full-time permanent employees to attend to personal matters; and
- Work from home option of up to 10 days a year to help employees manage their personal needs while fulfilling work responsibilities.

Utilisation Rate of Flexible Work Options for Employees in Singapore

Flexible Work Arrangements	Utilisation rate (%)
Staggered Work Hours	30
Flexi2	72
Work from Home	14

Based on a survey of employees in Singapore conducted in 2017.

Family-Friendly Policies

In 2017, we introduced dual-use nursing rooms at various office locations in Singapore to support return-to-work mothers. The dual-use places serve as a practical way to maximise the use of limited office space while catering to the mothers' need for privacy and convenience.



Our colleagues Ms Brittany Cheng and Ms June Loh are appreciative of the privacy and thoughtful convenience the nursing rooms provide.

In 2017, we doubled the paternity leave days we offer fathers in Singapore. This is in addition to the shared parental leave we already offer, which allows fathers to share one week of leave with their wife's maternity leave entitlement. In 2017, the number of our male colleagues who utilised their paternity leave was 137. About 80 per cent of the female colleagues remained in employment for at least 12 months after they returned from their maternity leave.

Encouraging Healthier Lifestyles

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

Under the 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 health-related workshops. In 2017, employees received \$15.5 million worth of HEAL benefits and we reimbursed \$48.5 million worth of HEAL benefits since the launch of the programme in 2013. In 2017, we launched a mobile app in Singapore to make it even easier for our employees to submit their HEAL dollar claims.

Under the HEAL programme is CARE, an integrated wellness programme that gives our people greater choice and flexibility through a range of healthcare prevention, protection, wellness and treatment options. In 2017, we enhanced the CARE programme to include claims for eldercare and childcare expenses using HEAL dollars. To help our people to stretch their HEAL dollars, we have partnered NTUC Health in Singapore to offer our people and their immediate family members various nursing home services, including home care, at preferential rates.

Supporting Fitness and Wellness

As part of UOB+you, we have partnered wellness companies to conduct health talks, yoga classes and mass fitness workouts since October 2017. The activities are held at our office premises, such as the mass fitness workouts at the UOB Plaza Atrium every Thursday evening. We also encourage our people to participate in and to form sports groups such as badminton, bowling, dragon boat racing, netball and softball. Besides improving the health and well-being of our people, these sessions also help to build a greater sense of belonging among our employees.



Fitness classes such as Zumba and yoga are conducted after office hours and during lunchtime.



Our dragon boat team comprises colleagues from many departments and offices.

Encouraging Employee Networking

We introduced a UOB+you networking programme in September 2017 to help our colleagues connect with one another outside of the usual work environment. Under this programme, networking events are organised every second and last Wednesday of the month in Singapore. Since its launch, 870 colleagues have joined the sessions, including the Group CEO and several members of our Senior Management team.

Colleagues



The winners of the UOB Customer Commitments Awards (CCA) Individual Top Awards.

Leading by Positive Example

Recognising Our People's Achievements

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

UOB Honours

We launched the UOB Honours programme in 2017 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. The first UOB Honours awards ceremony recognised 15 teams across the Group and celebrated 170 long-serving colleagues in Singapore and more than 700 colleagues in other markets through the Dedication Awards. During the event held in Singapore, we recognised the significant contributions of Mr Francis Lee, Head of Group Retail, through our first UOB Lifetime Achievement Award. Mr Lee joined the Bank in 1980. Among his many achievements was spearheading the Bank's expansion in the region between 2003 and 2008 which resulted in our acquisitions in Indonesia and Thailand.



One of the winning teams at our inaugural UOB Honours awards ceremony.

UOB Customer Commitments Awards

In 2017, we ran the second UOB CCA programme across the Group. The UOB CCA campaign, competition and ceremony seek to encourage and to inspire our people to act always in the best interests of our customers. At the UOB CCA ceremony, we recognised 85 individual colleagues and 28 teams for being role models who have best demonstrated our customer commitments in their daily decisions and actions. They were selected from more than 3,750 entries and the winners included colleagues from China, Hong Kong, Indonesia, London, Malaysia, Mumbai, New York, Seoul, Singapore, Thailand and Yangon.

Bridging Differences Across Industries

In demonstrating our commitment to diversity, we partnered the Embassy of the Kingdom of the Netherlands and organised a "Women in FinTech" networking and panel discussion at the Singapore FinTech Festival 2017. The session enabled 20 women leaders from the finance industry, FinTech start-ups and government agencies to connect with one another and to share their thoughts on diversity in the workplace. Panel speakers shared their experience in being a female leader in their company and industry.



Queen Maxima of the Netherlands and a UOB senior leader sharing their thoughts on diversity with participants at the networking session.

Promoting a More Inclusive Society

In Thailand, we supported a project by the Thai Bankers' Association, Social Innovation Foundation and the Thai Red Cross to provide employment opportunities at non-profit organisations for people with disabilities. Through our support, 38 people were contracted for administrative work and general services at the Thai Red Cross and local government hospitals. We also engaged five people with disabilities to help us with our employee engagement activities such as blood donation drives and Happy Friday under our UOB+you programme.

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:

Singapore

- Excellence in CSR Strategy – Silver at the HR Excellence Awards 2017
- Excellence in Workplace Culture – Gold at the HR Excellence Awards 2017

China

- Best Enterprise and Best Value Project (by *Training Magazine*)
- 100 Excellence Employer of China Award (by 51job.com)
- Top 100 China Best Employer Award (by Zhilian.com)

Hong Kong

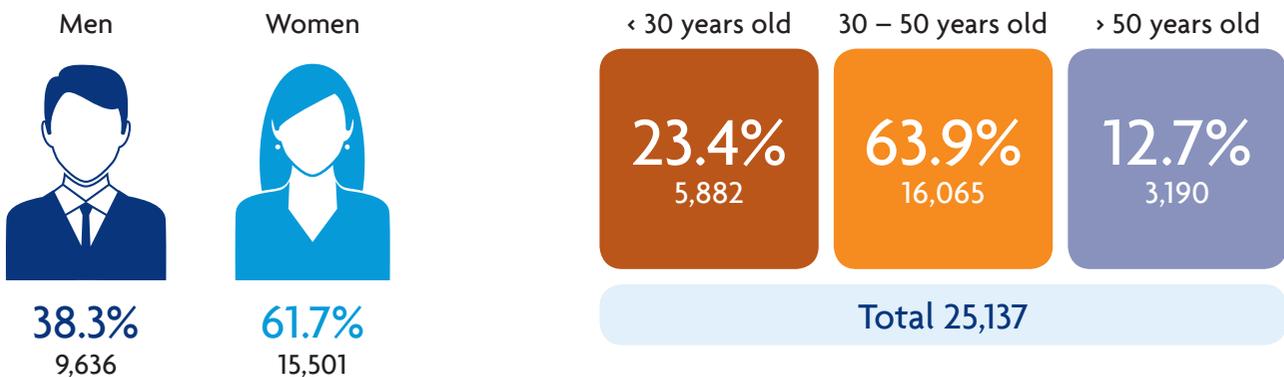
- Best Companies To Work For In Asia 2017 (by *HR Asia*)
- Best Management Associate Programme – Silver (by *Human Resources Magazine*)
- Caring Company (by Hong Kong Council of Social Service, HKSAR Government)
- Good MPF Employer 2016-2017 (by HK Mandatory Provident Fund Scheme Authority)
- Practicing Organisation in Work-Life Balance Week 2017 (by Community Business)

Thailand

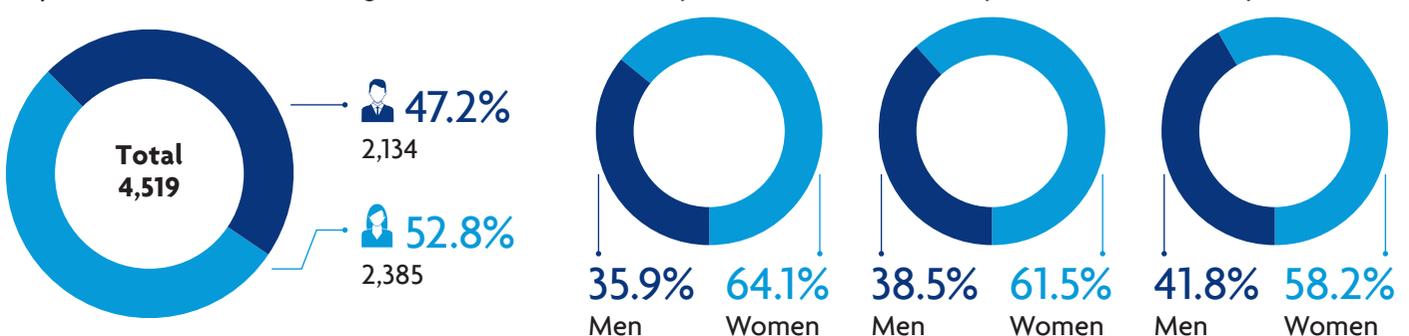
- Recognition certificates from the Association for the Mentally Ill of Thailand and the Thai Bankers' Association for encouraging inclusivity in the community

Diversity of Our People

(as at 31 December 2017)

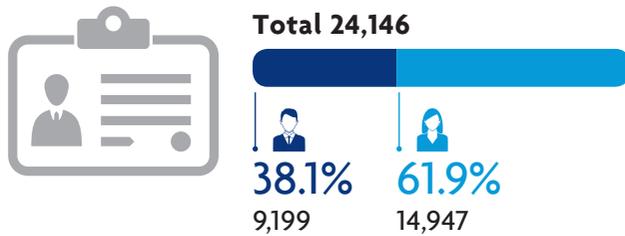


Department Heads and Managers

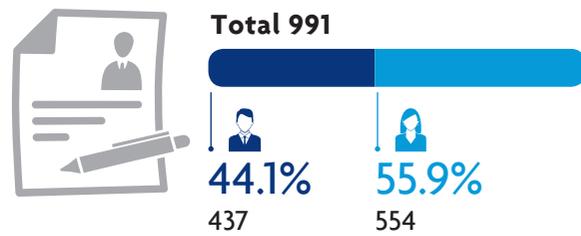


Colleagues

Permanent

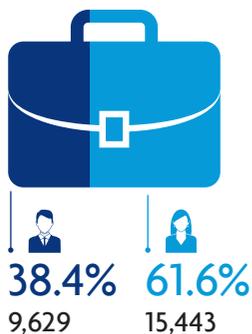


Contract



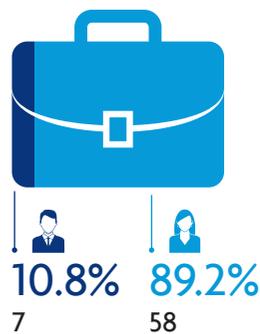
Full Time

Total 25,072

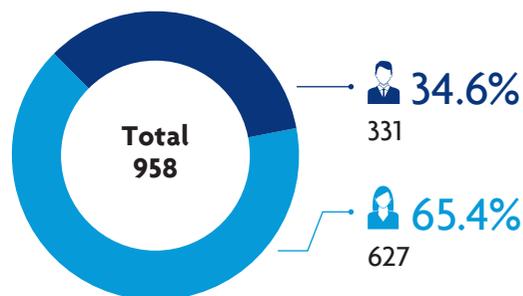


Part Time

Total 65



Temporary



Total Number of Colleagues

Locals (Citizens/Permanent Residents)	23,999	95.5%		
Foreigners	1,138	4.5%		
Total	25,137			
	Senior Management	Middle Management	Executive	Administrative
Men	311 (63.6%)	2,795 (48.4%)	4,685 (37.3%)	1,845 (29.2%)
Women	178 (36.4%)	2,984 (51.6%)	7,876 (62.7%)	4,463 (70.8%)
Total	489	5,779	12,561	6,308

New Hires

	Total	< 30 years old	30 – 50 years old	> 50 years old
Men	2,609 (42.1%)	1,227 (39.3%)	1,226 (45.1%)	156 (44.2%)
Women	3,586 (57.9%)	1,896 (60.7%)	1,493 (54.9%)	197 (55.8%)
Total	6,195	3,123	2,719	353

Turnover Rate

	2017	2016	2015
Overall	20.9%	20.6%	19.8%
Men	23.0%	24.1%	21.1%
Women	19.6%	18.4%	19.0%

Average Training Hours Per Colleague

	2017	2016	2015
	43.4	38.4	38.9
	43.1	32.7	36.3
Overall	43.3	35.2	37.9

Training Hours by Employment Category

	2017	2016	2015
Senior Management			
	34.3	33.9	28.8
	37.6	29.7	32.6
Middle Management			
	37.6	35.5	37.6
	40.3	31.9	33.1
Executive			
	49.9	46.9	49.7
	43.0	34.9	39.9
Administrative			
	37.3	25.1	22.6
	45.4	30.1	33.0

Total Training Expenditure (\$ million)

	2017	2016	2015
	21.3	19.6	20.9

Average Training Expenditure per Headcount (\$)

	2017	2016	2015
	845.5	788.9	835.9

Community

Giving back to the communities in which we operate is fundamental to us. Our deep understanding of the markets in which we operate enables us to appreciate the interests of the local communities and we are steadfast in our support of their social and economic development. Guided by our values of being Honourable, Enterprising, United and Committed, we contribute to these communities holistically through philanthropy, partnerships and employee participation, and by being inclusive. Our programmes connect people, strengthen bonds and enrich lives through art, children and education.



Mr Wee Ee Cheong, UOB Deputy Chairman and CEO and Ms Jenny Wong, Group Head of Human Resources, with more than 7,000 colleagues, their families and customers at the 2017 UOB Heartbeat Run/Walk in Singapore to raise funds for our beneficiaries.

2017 Highlights

- More than 61,000 hours volunteered by our colleagues for our UOB Heartbeat Corporate Social Responsibility Programme across our key markets of China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand – an increase of 23 per cent over 2016;
- More than 14,500 of our customers, colleagues and their families participated in the UOB Heartbeat Run/Walk fundraising event held simultaneously across the region;
- Championed Southeast Asian art and artists through the 36th UOB Painting of the Year competition and international art fairs, drawing people across the region closer together as one community;

2017 Highlights (continued)

- Launched art outreach initiatives for award-winning artists to share their experiences with and inspire more than 2,400 students studying art in Indonesia, Singapore and Thailand;
- Trained 330 colleagues and business partners in Thailand on art theories, so they could serve as volunteers for a 10-week art workshop for the visually-impaired under the UOB Please Touch art programme;
- Developed young minds through education and financial literacy programmes across the region;
- Recognised as the Champion of Good 2017 (inaugural awards) from the National Volunteer and Philanthropy Centre for being a catalyst of change for corporate giving; and
- Facilitated funding for, and invested in, companies in the region and encouraged them to improve their environmental, social and governance considerations.

Ensuring Sustainable Economic Growth

As a leading bank in Asia, we are committed to supporting sustainable business investment and long-term economic growth in the markets in which we operate.

In the course of conducting our business, we create direct and indirect economic value for our stakeholders. In 2017, we provided livelihoods for more than 25,000 people across our network spanning 19 countries and territories. We continued to support local businesses and helped to create jobs through the goods and services we bought from more than 9,900 suppliers in our six main markets. More than \$2.2 billion of our total income was distributed to our people as employee compensation and benefits, which in turn contributed to spending within local economies. We also accrued \$800 million in income tax to various governments.

Encouraging Long-Term Strategic Investments

As part of our approach to ensuring sustainable business growth, we support investment which facilitates economic development, empowers local communities and improves lives.

- In Thailand, UOB Asset Management launched the United Thai Equity Corporate Governance Fund as part of the Association of Investment Management Companies' sustainable investing campaign. The campaign aims to encourage Thai-listed companies to improve their corporate governance and social responsibility;
- UOB Venture Management (UOBVM) funds promising companies in the region through the ASEAN China Investment Fund and encourages them to adopt sustainable practices. We also provide the companies with advice on enhancing their environmental, social and governance considerations;

- UOBVM collaborates with Credit Suisse to manage the Asia Impact Investment Fund which invests in socially-responsible high-growth companies that help to improve the living standards of low income communities in Southeast Asia and China;
- In Indonesia, UOBVM led the funding for Indonesian education technology start-up, Ruangguru, which offers affordable digital-based educational content to educators and students countrywide, especially those from lower-income families; and
- In Singapore, we provided a \$15 million loan to sustainable energy provider Sunseap Group, for a series of long-term solar power projects that will help reduce the carbon footprint of companies in the country. This series includes the largest rooftop solar power project in a single site in Singapore.

More information can be found in the Investment Management section of this report.

Keeping the Good Going Through UOB Heartbeat

The UOB Heartbeat Corporate Social Responsibility Programme connects our customers, our partners and our colleagues across the Group to harness the power of the collective for the benefit of our communities. Through partnership, philanthropy and participation initiatives, the UOB Heartbeat programme demonstrates our long-term commitment to these communities. We focus on three areas which we believe are essential for the quality and progress of society: art, children and education.

Connecting Communities Through Art

Drawing Out Talent Through Art Competitions

We believe that art transcends the boundaries of geographies, economies and time to draw people together through a deeper understanding and appreciation of our common roots and linkages.

With our deep roots in Southeast Asia, we are steadfast in supporting the development of art in the region and our annual UOB Painting of the Year (POY) competition underscores this commitment. Started in 1982, the POY is the longest-running

Community



The regional and country winners of the 36th UOB POY competition against a backdrop inspired by the winning regional painting from the year before.

art competition in Singapore and one of the most recognised in Southeast Asia. To nurture and to encourage aspiring and established artists in the region, we hold the competition in Singapore, Indonesia, Malaysia and Thailand, with the most outstanding artwork chosen for the UOB Southeast Asian Painting of the Year Award. The recipient of the 2017 award was Mr Sukit Choosri from Thailand for his work, *One Life*, which depicted the transience of life.

We also promote artistic talent across the region by raising the profiles of the UOB POY winning artists and by providing them with opportunities to showcase their works. Since 2007, we have been exhibiting collections of their paintings at our UOB Art Gallery at UOB Plaza in Singapore. In 2017, we presented more than 50 artworks of the 15 UOB POY alumni from across the region at Art Stage Singapore, giving them another stage to interact with art collectors and curators. We promoted the works of Indonesian UOB POY artists through an exhibition we organised at Art Jakarta 2017.



Mr Wee Ee Cheong, UOB Deputy Chairman and CEO, with UOB Southeast Asian POY winner Mr Sukit Choosri from Thailand and Singapore's Minister for Education (Higher Education and Skills) and Second Minister for Defence, Mr Ong Ye Kung.

Inspiring Art Students to Pursue Their Passion

To inspire art students to pursue their passion, we held art dialogue sessions at schools across the region. In 2017, we launched the Artist's Conversations series in Singapore where our UOB POY alumni artists shared their experiences with more than 600 students from schools with the Art Elective Programme. In Indonesia, we arranged for local artists and the Executive Director of Japan's Fukuoka Asian Art Museum to share their thoughts on Asian contemporary art with students at the Bandung Institute of Technology and at the Indonesian Institute of the Arts Yogyakarta.



Visitors absorbing the richness of Southeast Asian art at our UOB Art Space at Art Stage Singapore 2017.



More than 400 art students from Nanyang Girls' High School in conversation with award-winning artists in Singapore.

In Thailand, we conducted roadshows at 26 art universities and colleges nationwide as part of our new Art is All Around campaign. More than 1,600 students had the opportunity to exchange their perspectives on Southeast Asian art with the 2016 UOB Most Promising Artist of the Year (Thailand), Mr Ketsakda Wimolsong.

Enabling Children to Express Themselves Through Art

As part of our art outreach efforts, in 2017 we conducted seven UOB Heartbeat art workshops in Singapore for more than 250 underprivileged children and those with special needs. We aimed to help them express themselves more confidently through art. The workshops led by our UOB POY artists included acrylic and watercolour painting sessions and a special food art workshop by popular bento artist, Little Miss Bento. We also brought children to the National Gallery Singapore to experience the Children’s Biennale and the Yayoi Kusuma: Life is the Heart of a Rainbow exhibition.

Since 2015, we have been championing the UOB Please Touch programme in Thailand, an initiative to help people with visual impairment to experience and to enjoy art. In 2017, we partnered an art professor and handicraft experts to train 330 of our colleagues and business partners as volunteers at the UOB Please Touch

workshops. Together, they helped to bring art to more than 335 visually-impaired people through a 10-week programme.

Our team in Hong Kong arranged for the organisers of the Art Central fair to take teenage students from less privileged backgrounds on a guided exhibition tour. The visit culminated in an onsite art workshop where an art tutor shared sketching tips with the students. Our colleagues also worked with the Hong Kong Christian Service to organise an outdoor mural painting session for 21 underprivileged children. The completed mural was displayed at Art Central.

Championing Regional Art at the UOB Southeast Asia Gallery

UOB’s support of art began in the 1970s and deepened as the Bank’s network grew, reflecting its commitment to communities in Southeast Asia. The UOB Art Collection today holds more than 2,300 artworks, mainly comprising paintings by emerging and established Southeast Asian artists. These provide powerful, visual commentary of the region’s growth and diversity. A number of the paintings are on permanent display at the UOB Southeast Asia Gallery at the National Gallery Singapore of which the Bank is a founding partner. To raise awareness of the richness of Southeast Asian art, in 2017, we gave out 700 gallery tickets to the community and our colleagues.



A family’s consuming passion for art at our art bento workshop in Singapore.



Reframing the perception of art at a UOB Please Touch workshop in Thailand.



An uplifting experience for children from our beneficiaries who were on an excursion to the National Gallery Singapore with our UOB volunteers.



Children with art in the palm of their hands at Art Central in Hong Kong.

Community

Nurturing Curious Minds and Creative Expressions

Through our wide range of art and education outreach programmes, we nurture young minds and encourage their exploration of creativity to help them develop to their full potential.



Reaching out to children and students both inside and outside of the classroom.

Uniting As One to Help Children in Need

Maintaining the Momentum with UOB Heartbeat Run/Walk
The UOB Heartbeat Run/Walk is our annual flagship event to raise funds to improve the lives of children in the region who are underprivileged or have special needs. On a selected day every year, our families, friends and customers come together for this purpose. We have seen avid participation since the first UOB Heartbeat Run/Walk was held in Singapore in 2007.

Building on the momentum, we expanded this activity across Asia with Malaysia in 2008, Indonesia and Thailand in 2011, China in 2012 and Hong Kong in 2014.

In 2017, more than 14,500 participants raised \$1.42 million for their local beneficiaries through the UOB Heartbeat Run/Walk event held simultaneously across the region.



Keeping the good going across the region at our 2017 Heartbeat Run/Walk.

Community

Developing Young Minds for the Future

We believe that education gives good grounding and a head start in life to children, especially those from less privileged backgrounds. To help our beneficiaries develop to their full potential, we partner with other organisations to develop programmes and to conduct financial literacy workshops for them.

In 2017, our team in China collaborated with the Yicai Foundation to launch the UOB Brings The World To Me programme for 800 children from primary schools in the remote mountainous areas of Yunnan province. This programme exposes the children to the world beyond their rural community by giving them access to online courses on a range of subjects such as science, culture and basic financial knowledge. To overcome geographic barriers, the students study through live and pre-recorded sessions conducted by volunteer teachers. These sessions are projected onto television screens donated to their schools through the Yicai Foundation. More than 600 volunteers in China, including our colleagues, signed up as volunteer teachers for this programme. Our colleagues also distributed daily necessities and school supplies to the students.



The children at Central Primary School in Pian Ma Yi Minority Village are spurred to put their best foot forward in the new academic year upon receiving gifts of new shoes from the UOB China team.

As part of UOB Malaysia's effort to educate the younger generation on financial management, the team held Money Wise Street Smart seminars at the Tunku Abdul Rahman University College and at the Monash University Malaysia in 2017. About 700 students attended the seminars. Our Bank was also among 70 financial service providers that participated in Bank Negara Malaysia's Karnival Kewangan (Financial Carnival). Our people organised a four-hour educational programme to teach children how to spend and to save wisely through interactive board games and scavenger hunts. The team also took 30 children from UOB Heartbeat beneficiary, Dignity for Children Foundation, to participate in the event.

In Indonesia, more than 70 of our colleagues visited the Madrasah Ibtidaiyah Rabbani in Bekasi and ran a fun financial literacy workshop for 70 students between 10 and 12 years old. Through the games, our volunteers taught the children the value of saving and the importance of adopting good investment habits at a young age. They also rolled up their sleeves to repaint the school's facilities and prepared healthy meals for the students.

As part of our commitment to the long-term development of Myanmar, we partnered the University of Yangon and Yangon University of Economics to introduce the UOB University Scholarship Programme. The three-year programme which started in 2015 aims to nurture a pool of banking and finance talents in Myanmar and the scholars could also apply for internship positions with us to gain first-hand experience in the banking and finance industry. Between 2015 and 2017, a total of 45 students received financial assistance from us to complete their university courses.



Children and university students in Malaysia are learning how to manage their own finances through fun and games.

Festive Fundraising by Commercial Banking Colleagues

Every Lunar New Year, the UOB Commercial Banking teams across the region team up with our clients to help the community. In 2017, our Deputy Chairman and CEO Mr Wee Ee Cheong led 100 UOB volunteers and clients in Singapore to spruce up the flats of 16 financially-stretched families under the UOB Heartbeat Lunar New Year Outreach initiative by Group Commercial Banking. In collaboration with Fei Yue Community Services, the volunteers painted the homes and set up new furniture donated by the Bank's clients for the families to usher in the Lunar New Year. Our clients also sponsored goodie bags for 360 families living in the vicinity, as well as school supplies for 70 children from the Fei Yue Student Care Centre.

In Singapore, more than \$1.2 million was raised for local charities by the more than 1,000 local and regional business leaders at the annual UOB Commercial Banking Lunar New Year dinner.

The UOB Malaysia Commercial Banking team also organised an appreciation dinner for some 1,000 customers during the Lunar New Year period. Chinese paintings depicting the Year of the Rooster by local speed painter Ms Haze Long were auctioned and the proceeds were donated to four charity homes around the Klang Valley.

In China, our Commercial Banking colleagues from our Shanghai branch and China headquarters celebrated the Lunar New Year with the elderly at Shanghai Jiyanghong Nursing Home. They decorated the nursing home, played games with the residents and performed for them. Apart from the festive celebrations, the team also made a donation to a fund used by the nursing home to celebrate the birthdays of the elderly.



UOB Singapore and Malaysia raised funds through the Commercial Banking teams' Lunar New Year dinner for local charities.

Our Deputy Chairman and CEO Mr Wee Ee Cheong, UOB employees and clients across the region helping the beneficiaries prepare for and celebrate the Lunar New Year.

Community

Enabling Inclusiveness

In championing a more inclusive society, 200 of our colleagues in Singapore participated in The Purple Parade 2017, a movement that supports inclusivity and celebrates the abilities of persons with special needs.



Supporting an inclusive society by participating in The Purple Parade 2017.

More information on our efforts to develop an inclusive workplace can be found in the Colleagues section of this report.

Standing Tall to Help Others

In Singapore, UOB was a proud supporter of the Central Singapore Community Development Council's month-long campaign, the Giraffes Singapore movement. Our people volunteered at the celebration event held at the atrium of UOB Plaza, where they encouraged others to become Giraffes – to stick their necks out for others and for the public good.



We kept the good going by taking part in the Giraffes Singapore movement led by Ms Denise Phua, Mayor of Central Singapore District.

PayNow for a Cause

In 2017, we became the first and only bank in Singapore to enable customers to use a peer-to-peer funds transfer service called PayNow to donate to charity. The service is made available through our UOB Mighty app. More than \$120,000 was raised from our PayNow for a Cause campaign to support SPD's early intervention programmes for infants and children with special needs. The SPD is a voluntary welfare organisation serving people with disabilities.



Our fundraising campaign PayNow for a Cause was launched during the Giving Week in Singapore.

Receiving Recognition From the Community

Our colleagues across the region volunteered more than 61,000 hours of their time at UOB Heartbeat programmes in 2017, an increase of 23 per cent over 2016. We also contributed \$4.54 million to the communities in which we operate through sponsorships, donations, scholarships and funds raised by our colleagues, customers and partners.

Our approach and efforts to strengthen the bonds of society have been recognised across the region. In Singapore, we received the inaugural Champion of Good award from the National Volunteer and Philanthropy Centre for our corporate giving efforts and for constantly engaging our partners and stakeholders on a collaborative giving journey. Among the other awards that we received in 2017 were:

- Corporate Social Responsibility award at the Philanthropy Innovation Summit 2017 in China, organised by charitable organisations including China Charity Alliance, Amity Foundation and Rende Foundation;
- Distinguished Patron of the Arts Award for the 13th consecutive year from the National Arts Council;
- Outstanding Social Caring Investment Excellence Award 2017 in Hong Kong, by the Social Enterprise Research Institute
- Silver award at the HR Excellence Awards 2017 by *Human Resources* magazine for Excellence in CSR Strategy; and
- Special Events Platinum Award at the Community Chest Awards Ceremony 2017 organised by Community Chest in Singapore.



We received the Champion of Good award in Singapore from Mr Heng Swee Keat, Minister of Finance at the inaugural 2017 Champions of Good awards ceremony.



We received the 2017 Distinguished Patron of the Arts Award in Singapore from Ms Grace Fu, Minister for Culture, Community and Youth in recognition of our significant contributions to the local art scene.



Environment

We are committed to protecting the environment for the well-being of our colleagues, our customers and the wider community. Our approach is to manage our environmental footprint by focusing on energy efficiency, waste management and resource conservation in our operations across the Group. We are also committed to responsible financing to support sustainable development and to ensuring environmental, social and governance considerations are incorporated in our financing activities.

UOB's Climate Action Pledge

2017 Highlights

- Received renewed Green Mark Gold^{Plus} certification for UOB Plaza 1 and UOB Tower Block from the Building and Construction Authority (BCA), Singapore;
- Expanded the monitoring of our paper consumption and recycling efforts to our regional markets for better resource management across the Group; and
- Installed energy-efficient LED lighting in our new office building in Bangkok, Thailand and began retrofitting the lights at UOB Tampines Centre in Singapore.

Managing Our Environmental Footprint

With the operations at our office buildings and branches accounting for the majority of our direct environmental impact, we have implemented a range of programmes to improve energy efficiency, to conserve resources and to manage waste effectively.

We maintained the Green Mark Gold^{Plus} certification for our UOB Plaza 1, UOB Plaza 2 and UOB Tower Block buildings in Singapore. In 2017, the certification for UOB Plaza 1 and UOB Tower Block, which we first received in 2013 and 2014 respectively, was renewed by the BCA. We received the certification for UOB Plaza 2 in 2016. Such certifications are awarded by the BCA for the Existing Non-residential Building category after thorough assessment of the buildings' features on energy and water efficiency, environment protection, indoor environmental quality and other green features such as those on infrastructure and building interiors. With the certification, our buildings are assessed to be energy-effective, resource-efficient and have healthier indoor environments for our colleagues, customers, tenants and visitors.



Our certified energy-effective and resource-efficient buildings, UOB Plazas 1 and 2.

Our offices and the common areas at UOB Plaza 1, UOB Plaza 2 and UOB Tower Block are equipped with energy-saving LED lighting. To help reduce greenhouse gas emissions from our electricity consumption further, we carried on with our initiative to replace conventional lighting in all our offices with energy-efficient LED lighting. During the year, we installed LED lighting in our new office building in Bangkok, Thailand and began retrofitting the lights for UOB Tampines Centre in Singapore.

We measure and report the carbon dioxide (CO₂) gas emissions from our purchased electricity (Scope 2 emissions) in accordance with the Greenhouse Gas Protocol guidelines and we apply the grid emission factors to calculate our carbon footprint. In 2017, we adjusted our CO₂ emission figures for Singapore for 2015 and 2016 to reflect the slight revision in the grid emission factors. Overall, we lowered the intensity of our CO₂ emissions across our six key markets for the year.

In 2017, we also started measuring and reporting the CO₂ emissions (Scope 3 emissions) from our business air travel.

Managing Our Resources Responsibly

Paper

We encourage our people to minimise paper consumption. In 2017, we started implementing resource efficiency systems in our regional markets to track paper consumption and recycling efforts for better resource management across the Group. In 2017, we used 1,082 tonnes of office paper and recycled 530 tonnes of paper across our key markets.

We also print our annual red packets, which are distributed to our colleagues and customers across our network in celebration of Lunar New Year, and our annual report on environmentally-friendly paper.

Water

In addition to promoting the awareness of water conservation among our colleagues, we also conserve water through the use of water-efficient fittings at our buildings. Our three office buildings – UOB Plaza 1, UOB Plaza 2 and UOB Tower Block – in Singapore have received the Water Efficiency Building Award from the Singapore Public Utilities Board in recognition of our efforts to save water. In 2017, we reduced water consumption by 14.2 per cent year on year.

Waste Management

The waste we generate comes mainly from paper and decommissioned office equipment. We dispose or recycle this waste through licensed waste management contractors. In 2017, we reduced the waste we generated by 17.4 per cent year on year and recycled 9,693 kg of decommissioned office equipment in Singapore.

Promoting Environmental Awareness

To increase environmental awareness among our stakeholders including our building tenants, we organise a range of programmes and initiatives that aim to promote efforts in protecting the environment. For example, we continue to participate in the annual global Earth Hour campaign by turning off the lights in our buildings to raise awareness about climate change.

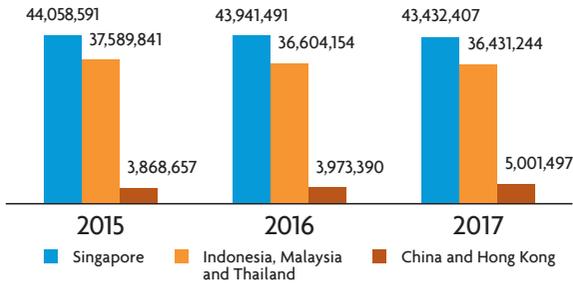
We have also stopped providing the UOB Annual Report on CD-ROMs and only provide a printed copy if one is requested. We encourage our shareholders and investors to share in our environmental efforts by reading the electronic version of the UOB Annual Report 2017.

More information on our efforts to support sustainable development can be found in the Sustainability Approach and Customer sections of this report.

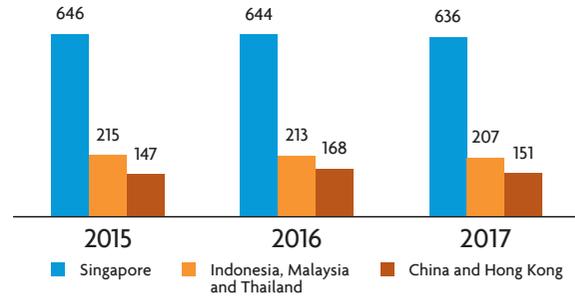
Environment

Our Environmental Performance

Electricity Use (kWh)



Energy Intensity from Electricity Use (kWh/m²)



Carbon Dioxide Emissions from Electricity Use (tCO₂)

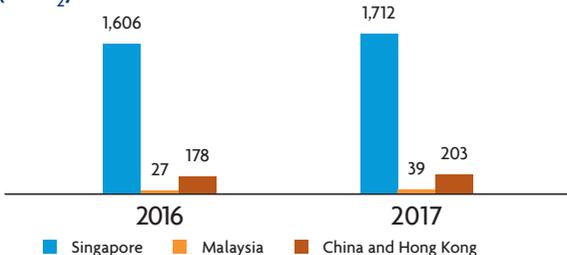


Carbon Dioxide Emission Intensity from Electricity Use (tCO₂/m²)

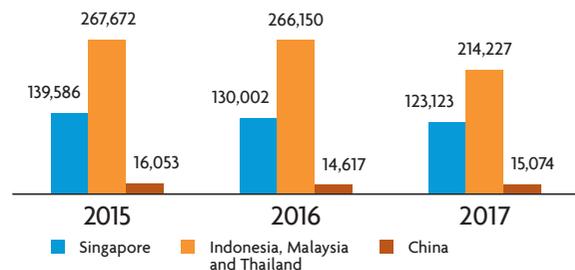


We adjusted our CO₂ emission figures for Singapore for 2015 and 2016 to reflect the slight revision in the grid emission factors.

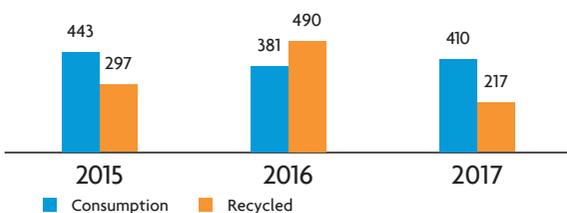
Carbon Dioxide Emissions from Business Air Travel (tCO₂)



Water Consumption (m³)

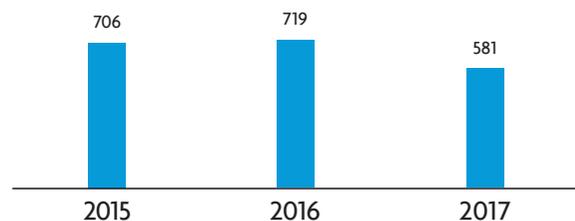


Office Paper Consumption and Paper Recycled (Singapore) (Tonne)



We started to collate the data on office paper consumption and paper recycled across our regional markets in 2017.

General Waste Generated (Singapore Office Buildings) (Tonne)



Investors

At UOB, we maintain regular dialogue and engagement with the investment community to provide relevant information on the Group's corporate strategy, operational performance and business outlook and to help them to make well-informed investment decisions. We also seek their feedback so as 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.

2017 Highlights

Continued Efforts to Diversify Our Investor Base and to Expand Our Sources of Funding

Proactive engagement with the investment community provides us with useful feedback, which helps us in the successful formulation and execution of our funding strategy. In February 2017, in consideration of European and Asian investors' demand and preference for US dollar papers from high quality issuers, we launched our debut EUR/USD benchmark dual-tranche covered bonds – the first Asian issuer to do so. In October, we also issued our maiden USD Reg S Basel III-compliant perpetual Additional Tier 1 capital securities.

Our issuances in 2017, underpinned by the stability of an AA-rated institution from an AAA-rated jurisdiction, attracted strong interest from investors, demonstrated by the tight pricing and healthy levels of oversubscription. They also enabled us to achieve our objective of widening our investor base in terms of currency and geographical distribution.

Our various bond deals during the year have won us numerous accolades, including Best Covered Bond and Best Bank Capital Bond conferred by *The Asset Triple A Country Awards 2017*.



The panel of UOB's Corporate Day presenters sharing their views on banking regulations.

Corporate Day 2017 – Unravelling Banking Regulations

We organised our seventh annual Corporate Day for the investment community in August 2017. The theme of the session was “Unravelling Banking Regulations”, which aimed to provide insights into the major banking regulations coming into effect over the next two years. The event was attended by more than 100 attendees, comprising analysts, investors and our corporate clients from across the region, reflecting the strong interest in this topic.

Investors

At the event, Mr Frankie Phua, Head of Group Risk Management, Ms Heng Li Koon, Head of Balance Sheet Risk Management, and Mr Eric Lim, Head of Group Finance, each delved into the objectives and development of Basel capital and liquidity rules, and the International Financial Reporting Standards 9 on Financial Instruments. The speakers also elaborated on the implications of the regulations for banks in Asia.

We received good feedback from the participants who expressed their appreciation for UOB's regular efforts in engaging the investment community and business partners in pertinent areas of interest.

“Very informative session which provided a good overview on how Basel has evolved over the different stages. It is helpful to me in my work. I really appreciate UOB's effort to provide the platform for sharing the views.”

*Ms Jin Jing, Deputy General Manager,
Bank Of Communications Singapore Branch*

“Gaining an understanding of the regulatory environment and an historical context on the various regulatory developments over the years was very helpful indeed. The topics chosen and the quality of each presentation were outstanding. I am very pleased I made the effort to come up from Australia to join your event.”

*Mr Marcus Bogdan, Chief Investment Officer,
Blackmore Capital*

Recognition of Our Investor Engagement Efforts

The UOB Annual Report 2016, which demonstrated our continued commitment to improve our disclosure quality and scope, won the Best Inaugural Sustainability Report (Mainboard) Award at the first Singapore Sustainability Reporting Awards. The awards programme was organised by the Singapore Institute of Directors to encourage and to recognise excellence in sustainability reporting among Singapore-listed companies.

Our focus on investor engagement also received recognition at *FinanceAsia's* annual “Asia's Best Managed Companies” poll in 2017 where we were ranked second in the “Best at Investor Relations” category for Singapore-listed companies.

Delivering Long-term and Sustainable Returns

Delivering sustainable returns for long-term value creation continues to be a key objective when formulating and executing our business strategies. Excluding 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 2017, we did not buy back any shares (which are normally held in treasury) although we used 2.4 million treasury shares¹ 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

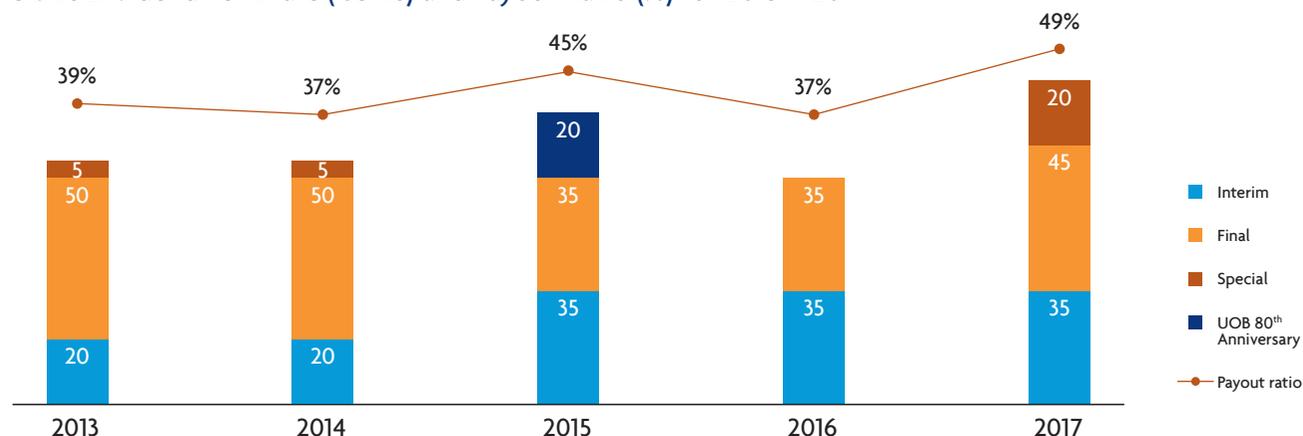
half-yearly basis. With the moderate pick-up in economic growth and business sentiment in 2017, we achieved a nine per cent year-on-year growth in net profit to reach a new record level of \$3.39 billion. To reward our shareholders for their support, we have increased our total core dividend by 10 cents to \$0.80 per share for the year. Coupled with a special dividend of 20 cents, our full-year dividend was a total of \$1.00, amounting to a payout ratio of 49 per cent. We applied the scrip dividend scheme to both interim and final dividends, giving our shareholders the option to receive the dividends in cash and/or new UOB shares.

Over the years, with our steady financial performance, we achieved a total annualised shareholder return of 8.9 per cent from 2013 to 2017, compared with Singapore's stock market average of 4.4 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 2013 – 2017



Selected Investment Metrics on UOB

	2013	2014	2015	2016	2017
Share price (\$)					
Highest	22.10	24.72	25.05	21.35	26.85
Lowest	18.63	19.40	18.20	16.80	20.05
Average	20.51	22.27	21.85	18.61	23.24
Closing	21.24	24.53	19.61	20.40	26.45
Market capitalisation (\$ billion) ^a	33.48	39.31	31.42	33.37	43.98
Price-to-earnings ratio (x) ^b	11.15	11.25	11.26	10.01	11.68
Price-to-book ratio (x) ^b	1.34	1.30	1.22	0.99	1.14
Net dividend yield (%) ^b	3.66	3.37	4.12	3.76	4.30
Return on average ordinary shareholders' equity (%)	12.3	12.3	11.0	10.2	10.2
Total annualised shareholder return from 2013 to 2017 (%)					8.9

a The year-end closing share prices are used in computing the market capitalisation.

b The daily-average share prices are used in computing these three ratios.

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 Bank's credit standing, we maintain regular dialogue with them to 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 banking credit assessment (BCA) of a1 is based on the Bank's very robust intrinsic credit metrics in both global and regional contexts, underpinned by its traditional and well-established banking presence in Singapore, Malaysia and other markets, and strong credit fundamentals. The Bank's capital position 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 18 December 2017

"Our ratings on UOB reflect the Bank's well-established market position, particularly in the SME segments, strong funding profile, and prudent management track record."

S&P's report dated 30 May 2017

Investors

Regular and Transparent Communications with Investors

Our engagement with the investment community, including our shareholders, investors, shareholder proxy voting 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 them and we also 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 constant dialogue with our investment community, our Management keeps investors abreast of UOB's financials, milestones and other material developments.

We regularly review our content disclosure to provide investors with the information needed to address their areas of concern. In 2017, investors' concerns continued to revolve around asset quality, pertaining mainly to our commodities exposure and key growth drivers, particularly our digital innovation developments. We improved our disclosure on the asset quality of our portfolios, our achievements in the digital arena and the direction of our future investments and expenditure.

In 2017, we conducted more than 450 meetings with analysts and investors and shared with them UOB's corporate strategy, operational performance and business outlook through the following events:

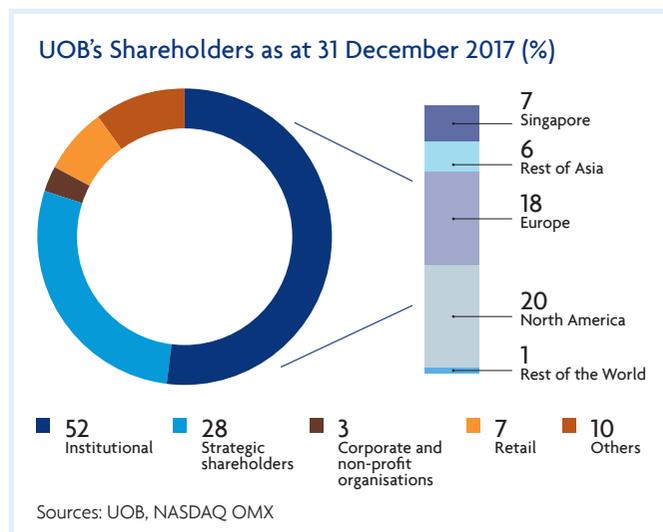
- Quarterly results briefings, fronted by Management, with conference call facilities arranged for overseas analysts and investors. Analysts and investors in Singapore were also invited to post-results luncheons every quarter;
- Investor meetings, conferences and roadshows held in Australia, China, Europe, Hong Kong, Japan, Malaysia, Singapore, Taiwan and the US with equity, fixed income and ESG-focused (environmental, social and governance) investors;
- UOB's Corporate Day in Singapore;
- Meetings with credit rating agencies; and
- Annual general meeting (AGM)³.

General information on UOB, such as annual reports, quarterly results, recorded webcasts of results briefings, news releases and presentation slides, including the CEO's AGM presentation slides, as well as our investor relations calendar of events, are available on our corporate website www.UOBgroup.com. All financial results, material news releases, dividends recommended or declared for payment, and other ad-hoc announcements are also available on the SGX website.

The UOB website also contains contact details of our Investor Relations Officer, so that investors may contact the team directly to clarify any queries or to provide feedback.

³ For more information on AGM, please refer to the Corporate Governance Section.

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.

Aimed at creating long-term value across the UOB franchise, our steadfast focus on balancing quality growth with stability is aligned with the long-term interests of our 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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Fax: (65) 6538 0270
Email: Stephen.LinST@UOBgroup.com
InvestorRelations@UOBgroup.com

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6438 8710
Website: www.boardroomlimited.com

Regulators

Banks play an integral role in ensuring the stability and security of the financial system and its impact on the economy. At UOB, regulatory compliance is a top priority. Given our global presence, 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 corporate 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.

Regulatory Developments

Governments and regulators, in protecting the integrity of the financial system, continue to introduce new measures to address emerging challenges arising from changing consumer behaviour, disruptive technologies and increased risks of financial crime such as money laundering, financing of terrorism, fraud and tax evasion, as well as cyber threats. The resulting raft of regulatory changes in recent years has led to an increasingly complex operating environment for banks and other financial institutions.

Remaining steadfast in our role as a trusted financial institution and to manage regulatory risks effectively, we monitor industry developments continually, engage with regulators, policymakers and standards-setting bodies actively, and review and enhance the compliance capabilities within our organisation regularly. This also enables us to reinforce our values-based compliance culture.

Strong Compliance Culture

UOB is committed to complying with applicable laws and regulations in the countries and territories in which we operate. These include requirements relevant to the licensing and conduct of banking or financial businesses, as well as those aimed at preventing financial crimes such as money laundering, financing of terrorism, fraud, tax evasion, bribery and corruption and insider trading.

Group Compliance, an independent function reporting directly to the Group CEO, is responsible for identifying, assessing, monitoring and managing regulatory compliance risks. Group Compliance plays a vital role in promoting a strong compliance culture and ethical conduct across the Group through advisory, active engagement with internal stakeholders and training.

The function also assists Management and the Board in ensuring that the Group's activities are conducted in accordance with laws and regulations through periodic compliance reviews. It also provides regular updates on regulatory trends and developments to Management and the Board.

Our Group Compliance function is 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 Charter establishes the basic principles and duties of the Group Compliance function, roles and responsibilities of the internal stakeholders, and the relationship between Group Compliance and its internal stakeholders.

Our compliance programmes are also 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).

Regulators

Anti-Money Laundering and Countering Terrorism Financing

We have implemented a comprehensive Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) framework which 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. A dedicated senior management committee provides governance oversight on the Group's AML/CFT- and sanction-related matters.

We review regularly our framework, policies, procedures, programmes and transaction monitoring systems to ensure their robustness and compliance with regulatory requirements. The framework and the associated programmes are also audited by both our internal and external auditors.

Prohibiting Insider Trading

The UOB Group Policy on Personal Trading in Securities governs the prohibition of insider trading and sets the framework for the management of insider trading risks. We have in place a pre-trade clearance system to monitor the adherence to the policy by employees who may reasonably be expected to have access to inside information. Group Compliance also reviews regularly securities transactions by these employees to detect potential breaches.

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 training 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 whistleblowing procedures ensure that employees can report any concerns in a private, confidential and secure manner.

Foreign Account Tax Compliance Act (FATCA)

FATCA is a US-legislation which requires financial institutions to identify and to report information on assets held by US persons and other non-cooperative entities and individuals.

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. It requires participating jurisdictions to identify, to collect and to exchange tax information annually on residents 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

Engaging Our Stakeholders

At UOB, we believe that constructive stakeholder engagement keeps us abreast of changes, attuned to possibilities and focused on remaining relevant to our stakeholders. It keeps us effective for the long term. 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, in a manner distinctive of UOB.

We continually seek our stakeholders' views, concerns and expectations through conversations, collaborative initiatives and research. By 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 on our material environmental, social and governance (ESG) factors and efforts.

Our stakeholder engagement approach is presented in the following table.

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2017	Our Goals for 2018
Customers	<ul style="list-style-type: none"> Fair products and services Reasonable fees Responsible financial advice Secure transactions Protection of data and privacy Convenient access to products and services Prompt service and resolution of complaints 	<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 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 extensive network of customer touchpoints Managing 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"> Interactions at branches Face-to-face meetings Post-transaction surveys to seek feedback on their experience Call centre service Marketing and advertising campaigns Website and social media campaigns and channels Events and seminars 	<ul style="list-style-type: none"> Continue frequency and quality of employee training sessions and workshops with sharper focus on service excellence and digitalisation Extend reach of Customer Satisfaction, and Net Promoter Score surveys Raise quality of customer interactions at all points of contact

Stakeholder Engagement

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2017	Our Goals for 2018
Colleagues	<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 	<ul style="list-style-type: none"> Creating a values-based organisational culture 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 Group-wide to be informed and engaged to contribute effectively Promoting teamwork and supporting one another to achieve shared goals Ensuring fair human resource policies are practised Ensuring transparent and objective performance appraisals, and performance-based rewards and recognition Providing flexible work arrangements Enabling colleagues to give back to the community through volunteer initiatives Offering health and wellness benefits Maintaining workplace health and safety 	<ul style="list-style-type: none"> Employee satisfaction survey Regular town hall meetings One-on-one sessions Topical and regular communication to all staff from the CEO Online and mobile employee portal with informative, collaborative and social features HR policies and procedures Periodic performance reviews Training and workshops Transparent communications between management and employees encouraged through an “open door” policy Inter-departmental games and recreational activities Employee volunteerism programmes Job opportunities and support for people with disabilities 	<ul style="list-style-type: none"> Continue frequent and regular engagement programmes across the Group through various communication channels Implement initiatives and programmes that fulfil our employee value proposition Ensure fair and equitable opportunities are open to all colleagues
Community	<ul style="list-style-type: none"> Employment opportunities Good corporate citizenry Responsible lending and investment 	<ul style="list-style-type: none"> Encouraging strategic investments that drive economic growth and social development Offering jobs to local talent Giving back to society through corporate social responsibility (CSR) programmes focused on art, children and education Integrating ESG considerations into our risk assessment and credit decision processes 	<ul style="list-style-type: none"> Participation in governments’ employment creation initiatives Campus recruitment activities Annual regional art competition Partnerships with National Gallery Singapore, art patrons and voluntary welfare organisations Art roadshows and outreach programmes Art education programmes University scholarships Interest-free student loans Financial literacy initiatives Annual charity run/walk Donations Fundraising events Client workshops including talks on environmentally-friendly recycling technologies 	<ul style="list-style-type: none"> Use recruitment platforms to inform prospective hires and to attract talent Deepen and broaden reach of our CSR programmes, building awareness, interest and engagement for areas under focus Sharpen existing campaigns and initiatives on employee volunteerism and philanthropy Conduct ESG training on responsible financing for relevant roles

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2017	Our Goals for 2018
Investors and Analysts	<ul style="list-style-type: none"> Stable and sustainable growth and profitability Reasonable returns to shareholders Preserving balance sheet strength through economic cycles Responsible lending 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 Adopting a disciplined and measured approach towards business risks and opportunities Ensuring robust risk governance and management Implementing responsible lending guidelines Maintaining a robust corporate governance culture Ensuring timely disclosure and reporting 	<ul style="list-style-type: none"> More than 450 meetings with analysts and investors to share UOB's corporate strategy, operational performance and business outlook Quarterly results briefings Feedback from institutional investors and ESG analysts on our sustainability efforts Periodic meetings with rating agencies General meetings with shareholders Quarterly financial reports Annual reports SGXNet announcements Presentations, conferences and roadshows Annual Corporate Day Ongoing feedback from analyst surveys 	<ul style="list-style-type: none"> Maintain level of engagement with equity, fixed income and ESG-focused investment community, including investors, analysts and credit rating agencies, ensuring high standards of corporate governance, transparency and disclosure Maintain regular dialogue sessions with the investment community and adhere to best practices in corporate governance
Governments and Regulators	<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 Maintaining financial stability Taxes to governments Supporting the development of local economies and industry 	<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 small- and medium-sized enterprises 	<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"> Maintain robust two-way engagement with regulators and industry bodies Participate actively in consultation papers issued by regulators to help shape the regulatory framework Improve data analytics and automation in compliance oversight tools in line with industry trends
Suppliers	<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"> Requests for Quotations and Proposals Vendor briefings Purchase agreements Annual reviews 	<ul style="list-style-type: none"> Ensure understanding and compliance of sustainable procurement practices and standards

Stakeholder Engagement

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2017	Our Goals for 2018
Media	<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 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 that we serve 	<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 	<ul style="list-style-type: none"> Maintain frequency and level of engagement with key media partners Keep media abreast of news relevant to UOB's stakeholders Develop deeper understanding of their mediums and constraints
Other Financial Institutions, and Industry and Trade Associations	<ul style="list-style-type: none"> Cooperation and collaboration in addressing the sustainability issues the financial services sector and other sectors face 	<ul style="list-style-type: none"> Participating 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"> Membership, governance and committee positions in industry-wide projects Participation in, and contribution to, industry-wide meetings and initiatives Conferences and forums 	<ul style="list-style-type: none"> Maintain active engagement to help shape the sustainability agenda and build industry capacity on ESG issues

Membership of Associations

In Singapore, where UOB's headquarters is based, we are an active member of a number of industry associations. We hold governance or committee positions in associations such as The Association of Banks in Singapore, The Institute of Banking and Finance, Singapore Business Federation and Singapore Chinese Chamber of Commerce and Industry.

Sustainability Scorecard

Performance Indicators	2017	2016	2015
Customers			
Number of customers ¹ – Group	4,837,334	4,654,210	4,457,670
Access to Financial Services			
Number of branches – Group	467	470	484
Number of branches – Singapore	58	62	63
Number of ATMs – Group	1,668	1,661	1,724
Number of ATMs – Singapore	766	754	780
Number of contactless ATMs – Singapore	270	38	0
Number of Ability ² ATMs – Singapore	20	20	0
Digital Transformation			
Online penetration rate for retail customers – Group ³ (%)	54	51	50
Online penetration rate for retail customers – Singapore ⁴ (%)	82	81	77
Mobile banking users as a percentage of active online banking users (retail customers) – Group (%)	54	45	45
Online penetration rate for corporate/SME clients – Group (%)	60	52	44
Number of contactless point-of-sale merchant terminals – Singapore	10,432	5,723	1,331
Customer Experience and Advocacy			
Customer compliments – Singapore	22,687	15,486	12,775
Complaints relating to sale of investment and insurance products – Singapore (%)	0.37	0.52	0.45
Lending Profile – Group (\$ billion)			
Loans to small businesses	9.7	9.4	8.8
Loans to medium businesses	41.0	40.1	39.6
Loans to large businesses	91.4	88.0	77.0
Loans to individuals	93.9	88.1	82.0
Colleagues⁵			
Permanent	24,146	23,904	24,092
Permanent – Singapore	8,349	8,642	8,443
Local (%)	95.5	95.9	96.1
New hires	6,195	5,715	6,633
Female (%)	61.7	61.5	61.1
Female senior management (%)	36.4	35.9	36.1
Female middle management (%)	51.6	52.1	51.9
Female department heads (%)	40.0	47.4	36.4
Female supervisors or managers (%)	52.8	53.5	54.4
Average training hours per headcount	43.3	36.6	39.0
Training expenditure per headcount (\$)	845.5	788.9	835.9
Employee attrition rate (%)	20.9	20.6	19.8

Sustainability Scorecard

Performance Indicators	2017	2016	2015
Community			
Monetary contributions (\$ million)	4.5	4.5	4.3 ⁶
Environment⁷			
Office paper consumption in offices – Singapore (tonne)	410	381	443
Office paper consumption per full-time employee – Singapore (kg)	49	44	52
Paper recycled – Singapore (tonne)	217	490	297
Electricity used (kWh)	84,865,148	84,519,035	85,517,090
Electricity use intensity (kWh/m ²)	306	321	318
Carbon emissions ⁸ (tCO ₂)	48,455	47,262	47,793
Carbon emission intensity ⁸ (tCO ₂ /m ²)	0.175	0.179	0.178
Water consumption – Singapore, Malaysia, Thailand, Indonesia and China (m ³)	352,424	410,769	423,311
General waste – Singapore office buildings only (tonne)	581	719	706
Economic Value of Contributions (\$ million)			
Total operating income	8,851	8,061	8,048
Profit after tax ⁹	3,390	3,096	3,209
Dividends to shareholders	1,254	1,232	1,873
Employee compensation and benefits	2,224	2,050	2,064
Income tax to governments	800	669	649
Suppliers⁷			
Total purchase (\$ million)	1,386	1,324	1,181
Purchase from local suppliers (%)	92.3	93.1	93.8

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 Changes in the data for 2015 and 2016 due to the retrospective rebasing of the number of retail customers in Thailand and the number of registered online banking retail customers in Singapore.

4 Changes in the data for 2015 and 2016 due to the rebasing of registered online banking retail customers in Singapore.

5 Applies to UOB Group and includes permanent and contract employees unless stated otherwise.

6 Excludes UOB80-related community contributions of \$38.6 million.

7 Applies to UOB's six key markets of Singapore, China, Hong Kong, Indonesia, Malaysia and Thailand unless indicated otherwise.

8 We adjusted our CO₂ emission figures for Singapore for 2015 and 2016 to reflect the slight revision in the grid emissions factors.

9 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 2015 to 31 December 2017, 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:

Mr Stephen Lin

Head of Investor Relations

sustainability@UOBgroup.com

Awards and Accolades

Acquisition International

2017 International Fund Awards

- Best Diversified Absolute Return Hedge Fund Manager, Asia
 - UOB Alternative Investment Management, Singapore

Asiamoney

Best Bank Awards 2017

- Best International Bank, Myanmar
- Best International Bank, Malaysia

Cash Management Client Satisfaction Awards 2017

- Best Bank in Singapore

Asia Asset Management

2017 Best of the Best Performance Awards

- Best of the Best Performance in Asian Bonds, 10 Years
 - UOB Asset Management, Singapore

Asian Banking & Finance

2017 Asian Banking & Finance Awards

- Mobile Banking Initiative of the Year
 - UOB Mighty, Singapore
- Credit Card Initiative of the Year
 - UOB YOLO, Singapore

Asian Private Banker

- Excellence in Private Banking Singapore

BarclayHedge

2017 Managed Futures Pinnacle Awards

- 1 Year Best Multi-Advisor Futures Fund Award
 - Oriental Fund, UOB-SM Asset Management

Community Chest

Community Chest Awards 2017

- Special Events Platinum Award

Contact Centre Association of Singapore

- Best Outsourced Contact Centre Above 100 Seats (Silver)
 - UOB Centre of Excellence (M) Sdn. Bhd.

Corporate LiveWire

2017 Global Funds Awards

- Best in Investment Advisory Services
 - UOB Alternative Investment Management, Singapore

Euromoney

Cash Management Survey 2017

- Best Cash Manager in Singapore

FundsSupermart

Choice Awards 2017

- Most Consistent Recommended Fund Award (Fixed Income)
 - United Emerging Markets Bonds Fund, UOB Asset Management, Singapore

Fund Selector Asia

Fund Selector Asia Awards Singapore 2017

- Platinum Award, High Yield Category
 - United Asian High Yield Bond Fund, UOB Asset Management, Singapore

Global Banking & Finance Review

Global Banking & Finance Review Awards 2017

- Best Wholesale Bank Hong Kong
 - UOB Hong Kong
- Best Corporate Bank Hong Kong
 - UOB Hong Kong

Hexun

International Financial Annual Champion Awards

- Innovation Award
 - UOBC Direct Bank mobile app, UOB China

HFM

Asia Hedge Fund Performance Awards 2017

- Best Fund of Hedge Funds Multi-Strategy
 - Asia Alpha Fund, UOB Alternative Investment Management, Singapore
- Best Fund of Hedge Funds Specialist
 - Asia Alpha Fund, UOB Alternative Investment Management, Singapore

HR Asia Magazine

Best Companies to Work for in Asia Awards 2017

- Best Companies to Work for in Asia 2017
 - UOB Hong Kong

Human Resources Online

HR Excellence Awards

- Excellence in Workplace Culture (Gold)
- Excellence in CSR Strategy (Silver)

iFast Awards 2017

- iFast Best Selling Fund
 - United SGD Fund, UOB Asset Management, Singapore

Morningstar

Morningstar Singapore Fund Awards 2017

- Best Fixed Income Fund House
 - UOB Asset Management, Singapore

National Arts Council

Patron of the Arts Award 2017

- Distinguished Patron of the Arts Award

National Volunteerism and Philanthropy Centre

Champions of Good 2017 Awards

- Champion of Good

Retail Banker International (RBI)

RBI Asia Trailblazer Awards 2017

- Excellence in Mobile Banking (Overall)
 - UOB Mighty
- Excellence in Mobile Banking (Customisation)
 - UOB Mighty
- Best Innovation in Service Delivery (ATM)
 - UOB Contactless ATM

Service Excellence Magazine and Carre-Center for Customer Satisfaction and Loyalty

Excellent Service Experience Award 2017

- Good Performance for Regular Banking Category
 - UOB Indonesia

Awards and Accolades

SG Enable

Enabling Employers Awards 2017

- Leader Award

Singapore Institute of Directors

Singapore Sustainability Reporting Awards

- Best Inaugural Sustainability Report (Mainboard) Award
UOB Annual Report 2016

Social Enterprise Research Institute

Social Caring Pledge Scheme

- Outstanding Social Caring Investment Excellence Award
 - UOB Hong Kong

Structured Retail Products (SRP)

SRP Asia Pacific Structured Product & Derivatives Awards 2017

- Best Structured Products Distributor
- Best Structured Products Performance

The Asian Banker

International Excellence in Retail Financial Services Award 2017

- SME Bank of the Year
- Deposit Product of the Year
 - UOB One Account

Transaction Banking Awards 2017

- Best Trade Finance Bank in Singapore
- Best Transaction Bank in Singapore
- Best Cash Management Bank in Singapore

The Bankers' Choice Awards 2017

- Best Corporate Trade Finance Deal in Indonesia
- Best Supplier Relationship Management in Indonesia

The Asset

Benchmark Research Awards 2017

- The Most Astute Investors in Asian Local Currency Bonds for 2017 (Highly Commended Singapore Category)
 - UOB Asset Management, Singapore
- The Most Astute Investors in Asian Local Currency Bonds for 2017 (Highly Commended Thailand Category)
 - UOB Asset Management, Thailand
- Ranked 19th in The Most Astute Investors 2017 in Asian G3 Bonds
 - UOB Asset Management, Singapore

Triple A Asia Infrastructure Awards 2017

- Oil and Gas Deal of the Year
 - Tangguh LNG US\$3.745b financing

Triple A Country Awards 2017

- Best Bank Capital Bond, Singapore
 - UOB S\$750m tier 2 subordinated notes
- Best Covered Bond, Singapore
 - UOB dual currency US\$500m and €500m covered bonds
- Best IPO, Singapore
 - Netlink NBN Trust S\$2.5b IPO

Triple A Regional Awards 2017

- Best Syndicated Loan, Singapore
 - Reliance Industries US\$1.75b syndicated term loan

Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2017

- Best Banks ASEAN/Australia
 - Best in Treasury and Working Capital, MNCs/LLCs, Singapore
 - Best in Treasury and Working Capital, NBFIs, Singapore
 - Best in Treasury and Working Capital, SMEs, Thailand
 - Best Service Providers, Cash Management, Singapore
 - Best Service Providers, Liquidity Management, Singapore
- Virtual Account Solutions
 - Best Cash Management Solution, Financial Services, Singapore
- New Economy Solutions
 - Best Cash Management Solution, Information Technology, Singapore
 - Best Cash Management Solution, E-commerce, Indonesia
- Supply Chain Solutions
 - Best Supply Chain Solution, Information Technology, Indonesia
- Trade Finance Solutions
 - Best Structured Trade Finance Solution, Construction, Indonesia
- Cash, Centralisation and Liquidity Solutions
 - Best SME Cash Management Solution, Consumer Goods, Singapore
 - Best SME Cash Management Solution, Financial Services, Indonesia
 - Best Cash Management Solution, Plantations, Malaysia

The Association of Banks in Singapore (ABS)

ABS Excellent Service Award 2017

- ABS Service Excellence Champion 2017
- Star Award – 888 winners
- Gold Award – 157 winners
- Silver Award – 245 winners

The Covered Bond Report

2017 Award for Excellence

- Global Deal of the Year
 - UOB dual currency US\$500m and €500m covered bonds

WealthAsia

Benchmark Fund of the Year Awards 2017

- Outstanding Achiever, High Yield Fixed Income Category
 - UOB Asset Management, Singapore
- Best-in-Class (Top Performing Fund in Healthcare Sector Equity Category)
 - United Global Healthcare Fund, UOB Asset Management, Singapore

WealthBriefingAsia

WealthBriefingAsia Awards 2017

- Best Alternative Investment Manager
 - UOB Alternative Investment Management, Singapore

World Finance

World Finance Investment Management Awards 2017

- Best Investment Management Company
 - UOB Asset Management, Thailand

Wealth & Finance International

2017 Alternative Investment Awards

- Best Investment Advisory 2017, South East Asia
 - UOB Alternative Investment Management, Singapore

Fund Awards 2017

- Best Risk-Adjusted FoHF (Since Inception)
 - UOB Alternative Investment Management, Singapore

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

31 December 2017

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Corporate Governance

Good corporate governance is fundamental to the creation, protection and enhancement of our long-term value. The Board is committed to observing high standards of corporate governance, and works with Management to ensure that good corporate governance principles are observed at all levels of the Bank.

This Corporate Governance section sets out the Bank's corporate governance practices. They comply with the Banking (Corporate Governance) Regulations (Banking Regulations) 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 comprise the Code of Corporate Governance (Code) for companies listed on the Singapore Exchange Securities Trading Limited (SGX-ST), and supplementary principles and guidelines added by the Monetary Authority of Singapore (MAS). Please see pages 118 to 120 for a quick reference to the discussions relating to the MAS Guidelines with express disclosure requirements. Where the Bank's practices differ from the MAS Guidelines, an explanation is provided in this section.

BOARD MATTERS

(Principles 1 to 6, MAS Guidelines)

Board Duties

The Board has written terms of reference that set out its responsibilities, which include the following:

- 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 policy and declaring dividends;
- approving major acquisitions and divestments;
- reviewing risk management framework and system;
- overseeing the performance of Management;
- setting company values and standards;
- considering sustainability issues in formulating strategies;
- overseeing the management and monitoring of environmental, social and governance (ESG) factors that are material to the business; and
- ensuring succession planning.

The Board's approval is also required for other material matters, including funding strategy, risk appetite and stakeholder communications. Apart from matters that specifically require the Board's approval, the Board delegates authority on certain matters to the Board Committees and Management.

During the year, the Board, with the help of the Nominating Committee, took steps to refresh the board with the appointment of four new directors. Far Eastern Bank Limited (FEB), a wholly-owned subsidiary of the Bank, completed its merger into the Bank. The Board also set business and asset strategies, and monitored the progress of various initiatives commenced in the previous year.

Working with Management, the Board reviews the strategy of the Group regularly. It receives and reviews regular reports and updates on the Bank's performance, operations as well as business and governance initiatives.

Board Delegation

The Board has delegated certain duties to six Board Committees while retaining overall oversight. The six Board Committees are the Strategy Committee (SC), Board Credit Committee (BCC), Nominating Committee (NC), Remuneration Committee (RC), Board Risk Management Committee (BRMC) and Audit Committee (AC). Each Board Committee has written terms of reference which set out the committee's responsibilities and operating processes, including decision-making by the committee. Each Board Committee provides a report of its activities and the minutes of its meeting to the Board at least quarterly.

A review of the Board Committee structure, membership and terms of reference is conducted at least annually to ensure that the Board Committees continue to be effective. The Board may establish other Board Committees as required by business imperatives.

Key Processes

Board and Board Committee meetings and the annual general meeting (AGM) are scheduled in advance and all directors are notified well before the start of the calendar year. Additional meetings are held when warranted by circumstances. Directors are provided with complete information related to the agenda items in a timely manner. The papers for a meeting are uploaded onto a secure portal which directors can access via tablet devices provided by the Bank.

Where exigencies prevent a director from attending a Board or Board Committee meeting in person, the director may participate via telephone and/or video conference as provided for in the UOB Constitution. Alternatively, the director may convey his/her 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. The Board and Board Committees may also make decisions by way of resolutions in writing. All deliberations and decisions of the Board and Board Committees are minuted and filed.

Managing Potential Conflicts of Interests

All directors have fiduciary duties to the Bank and are required to act honestly and in good faith when exercising their powers. Where a director has a personal interest in a matter that may conflict with his/her duties to the Bank, he/she must make disclosure to the Bank, recuse himself/herself from the discussion of the matter and abstain from voting on the matter.

Directors have to notify the Bank in a timely manner of any change in their interests or other appointments. The Directors' Statement section of this report contains disclosure on directors' direct and deemed interests in shares and debentures of the Bank and its related corporations.

Board Attendance

The table below sets out directors' attendance at formal meetings in 2017. In addition to formal meetings, directors have spent time in discussions among themselves. They have also been accessible to Management for guidance outside formal meetings.

Board Independence, Composition and Diversity

Overview of the Board

- 11 members (10 men and 1 woman, excluding Mr Hsieh Fu Hua who stepped down on 14 February 2018)
- 8 independent and non-executive directors:
 - Wong Kan Seng (*Chairman, from 15 February 2018*)
 - Franklin Leo Lavin
 - Willie Cheng Jue Hiang
 - James Koh Cher Siang
 - Ong Yew Huat
 - Lim Hwee Hua
 - Alexander Charles Hungate
 - Alvin Yeo Khirn Hai
- 2 non-independent and non-executive directors:
 - Wee Cho Yaw (*to retire at the end of the 2018 AGM*)
 - Michael Lien Jown Leam
- 1 non-independent and executive director:
 - Wee Ee Cheong (*CEO*)
- Tenure:
 - 9 have served fewer than 9 years
 - 2 have served more than 9 years
- Separation of roles of Chairman and CEO

Number of meetings attended in 2017

Name of director	Number of meetings attended in 2017								Independent directors' meeting
	AGM	Board	SC	BCC	NC	RC	BRMC	AC	
Hsieh Fu Hua	1	6 / 6	4 / 4	2 / 2	5 / 5	4 / 4	4 / 4	–	1 / 1
Wee Cho Yaw	1	5 / 6	0 / 4	0 / 2	4 / 5	–	4 / 4	–	–
Wee Ee Cheong	1	6 / 6	4 / 4	2 / 2	2 / 5	–	4 / 4	–	–
Wong Meng Meng ¹	1	2 / 2	–	–	2 / 2	–	1 / 1	–	–
Franklin Leo Lavin ²	1	6 / 6	4 / 4	1 / 1	5 / 5	–	–	–	1 / 1
Willie Cheng Jue Hiang	1	6 / 6	–	–	5 / 5	–	–	6 / 6	1 / 1
James Koh Cher Siang ³	1	6 / 6	3 / 3	–	–	4 / 4	–	6 / 6	1 / 1
Ong Yew Huat	0	6 / 6	–	2 / 2	–	–	4 / 4	5 / 6	1 / 1
Lim Hwee Hua ⁴	1	6 / 6	1 / 1	1 / 1	4 / 5	4 / 4	–	–	1 / 1
Alexander Charles Hungate ⁵	–	2 / 2	–	1 / 1	–	2 / 2	–	–	–
Michael Lien Jown Leam ⁶	–	2 / 2	1 / 1	–	1 / 2	–	–	–	–
Wong Kan Seng ⁷	–	2 / 2	1 / 1	1 / 1	2 / 2	2 / 2	1 / 1	–	–
Alvin Yeo Khirn Hai ⁸	–	2 / 2	–	–	–	–	1 / 1	1 / 2	–
Number of meetings held in 2017	1	6	4	2	5	4	4	6	1

1. Mr Wong Meng Meng stepped down from the Board on 20 April 2017.

2. Mr Franklin Leo Lavin was appointed to the BCC on 1 August 2017.

3. Mr James Koh Cher Siang stepped down from the SC on 1 August 2017.

4. Mrs Lim Hwee Hua was appointed to the SC and stepped down from the BCC on 1 August 2017.

5. Mr Alexander Charles Hungate was appointed to the Board on 27 July 2017. He was appointed to the BCC and RC on 1 August 2017.

6. Mr Michael Lien Jown Leam was appointed to the Board on 27 July 2017. He was appointed to the SC on 1 August 2017 and to the NC on 16 August 2017.

7. Mr Wong Kan Seng was appointed to the Board on 27 July 2017. He was appointed to the SC, BCC, RC and BRMC on 1 August 2017 and to the NC on 16 August 2017.

8. Mr Alvin Yeo Khirn Hai was appointed to the Board on 27 July 2017. He was appointed to the BRMC and AC on 1 August 2017.

^ Mr Wee Ee Cheong is the alternate member to Dr Wee Cho Yaw on the NC. The attendance record includes a meeting at which Mr Wee took over from Dr Wee after Dr Wee had excused himself from the meeting.

Corporate Governance

There are currently 11 members on the Board, four of whom were appointed in 2017. Each year, the NC assists the Board to review the composition of the Board and independence of directors and determines if directors are fit and proper and qualified for office.

The Banking Regulations provide that 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 NC conducts its annual review of each director's independence based on the criteria, taking into account the director's disclosures of his/her other appointments, interests, personal circumstances and business and financial relationships with the Bank. It also considers each director's responses in a questionnaire, which comprises questions for assessing if a director is independent and fit and proper to hold office based on the MAS Guidelines on Fit and Proper Criteria.

In the latest review, the NC has assessed that the Board has:

- eight independent and non-executive directors, namely Messrs Wong Kan Seng, Franklin Leo Lavin, Willie Cheng Jue Hiang, James Koh Cher Siang, Ong Yew Huat, Alexander Charles Hungate and Alvin Yeo Khirn Hai and Mrs Lim Hwee Hua. They have met the independence criteria in the Banking Regulations;
- one non-independent and non-executive director: Mr Michael Lien Jown Leam is connected to substantial shareholders of UOB; and
- one non-independent and executive director: Mr Wee Ee Cheong is a substantial shareholder and the Chief Executive Officer (CEO) of the Bank.

Dr Wee Cho Yaw, who will retire from the Board at the conclusion of the 2018 AGM, was not part of the NC's latest review. Based on the review in 2017, Dr Wee Cho Yaw is a non-independent and non-executive director as he is a substantial shareholder of the Bank and does not hold an executive appointment in the Bank. There has been no change to his circumstances since the 2017 review.

Mr Hsieh Fu Hua, who had served as an independent and non-executive director and stepped down from the Board on 14 February 2018, was also not part of the latest review.

The profiles of the directors can be found in the Board of Directors section of this report. The directors have experience in the banking or financial industry, have managed large organisations, are active in the non-profit and philanthropic sector or have experience in public administration. With skills and expertise spanning banking, strategic planning and development, accounting, management, technology, law and corporate governance, the directors collectively provide core competencies that are relevant to UOB's affairs. The Board has professional, gender and ethnic diversity and leverages the range of deep skills, expertise, experience and insights of its members in the discharge of its duties. The mix of longer-serving and newer directors facilitates knowledge-transfer and provides continuity, while injecting fresh perspectives, which contribute to effective oversight of the Bank's affairs. After taking into account the Bank's scope and nature of business and operations, the NC considers the Board of up to 12 members appropriate for overseeing the Bank's affairs. It is also of the view that each director remains fit and proper and qualified for office. Each NC member recused himself/herself during the NC's deliberation.

Board Chairman and Chief Executive Officer

The office of Chairman is a non-executive appointment and separate from the office of CEO. The Chairman leads the Board, approves the Board's meeting agenda, promotes an open environment for constructive debate at meetings and facilitates collaboration between the Board and Management. The Chairman also oversees corporate governance matters and fosters open dialogue among the Board and Management and with shareholders during general meetings. Mr Wong Kan Seng, an independent director, was appointed to the Board in July 2017 and succeeded Mr Hsieh Fu Hua as Chairman in February 2018. He serves on all Board Committees, except for the AC. Nevertheless, he sits in at the AC meetings although he is not an AC member. This enables him to gain a good overview of the activities of all the committees.

Mr Wee Ee Cheong is the CEO. He leads the management team, takes executive responsibility for the day-to-day operations of the Bank, seeks business opportunities to strengthen the franchise and ensures that the Board's decisions are implemented. He promotes a values-based and inclusive culture across the organisation that is conducive to the professional and personal development of UOB employees and ensures that the Bank's customer experience is distinctive and standard-setting. The CEO is assisted in his duties by senior management committees, which also help to ensure that the system of internal controls and risk management is adequate and effective.

Under the CEO's leadership, 2017 saw sharpened capabilities across the Group and a deeper regional franchise. Following substantial groundwork led by the CEO over a period of time, UOB was awarded a licence to establish a subsidiary in Vietnam – the first Singapore bank to receive it. The CEO also championed the Bank's ongoing efforts to build ecosystems

of strategic partnerships across geographies, industries and businesses for the benefit of customers. He spearheaded increased engagement with technology companies and encouraged agile work practices. UOB customers were able to access a wider range of financial solutions as a result of the Bank's digitalisation programme. The CEO further institutionalised the UOB values with the launch of UOB+you, an employee value proposition designed to attract, to engage and to retain people whose values are aligned with those of the Bank.

Lead Independent Director

A lead independent director has not been appointed as the Board Chairman is independent, non-executive and unrelated to the CEO, and independent directors form a majority of the Board.

Time Commitment and Performance

Annually, each director is asked to complete a questionnaire, which covers an assessment of the Board and Board Committees as well as a self-assessment of his/her own performance. The completed questionnaire is submitted directly to the company secretaries, who collate the masked responses for the NC. The NC evaluates the performance of the Board and Board Committees and each director, and makes its recommendations to the Board for approval. No external facilitator was engaged for the evaluation process.

The NC assesses the Board based on the Bank's performance and the Board's organisation and responsibility for the Bank's strategy, succession planning, risk management and internal controls. It appraises the Board Committees on their fulfilment of the terms of reference, conduct of meetings and accountability to the Board.

In assessing each director's contribution and his/her availability to commit time and attention to the affairs of the Bank, the NC considers the following:

- attendance and participation at the AGM and the Board and Board Committee meetings;
- assessment in the questionnaire on preparedness for meetings, participation and contribution to board decisions, clarity in communication and strategic insight, among others;
- skills and experience; and
- other directorships and principal commitments which are listed in the Board of Directors section of this report.

The disclosure by directors of his/her other appointments helps the NC assess the director's ability to commit time to the affairs of the Bank. Based on each director's contribution and known commitments, the NC is satisfied that all directors have performed their duties adequately and contributed to the effectiveness of the Board and Board Committees. The

directors had demonstrated their commitment to the Bank during the year, and were available to attend to the Bank's affairs, both formally and informally. The NC therefore does not recommend setting a maximum number of directorships that may be held by a director.

Selection Process, Appointment and Re-election

The Board is supportive of diversity, but not in terms of any one particular attribute. The NC, which recommends candidates to the Board for appointment as directors, makes its recommendations based on the merits of the 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. It maps the skill sets and expertise currently held by the Board against a framework to identify the additional skill sets required. The NC also considers the candidates' independence under the Banking Regulations, qualification for office, personal attributes such as integrity and financial soundness, and ability to commit time to the Bank's affairs. Other relevant factors include the operating environment, potential developments and emerging trends in the market as well as the pipeline for ongoing succession planning. All directors may nominate candidates, who are shortlisted for assessment by the NC. With the concurrence of the Board, the NC chairman initiates discussions with the shortlisted candidates as appropriate. All appointments to the Board are subject to the approval of the MAS.

All directors submit themselves for re-election at regular intervals. The Bank's Constitution provides for one-third of the directors to retire from office by rotation at the AGM every year. In nominating a director for re-election, the NC takes into account the performance of the director and whether he/she 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. Resolutions 6 to 10 in the notice of AGM relate to the re-election of directors at the forthcoming AGM. There is no alternate director on the Board.

Succession planning is an ongoing process and the NC reviews the composition, skill sets, experience and attributes of the incumbent directors, among other factors, regularly. Change and renewal are balanced against continuity and stability. A smooth transition will contribute to the sustainability of the organisation.

Induction and Continuous Development

Upon appointment, a new director receives an induction package, which includes the Articles of Directorship which enumerate a director's general duties and obligations, terms of reference of the Board and Board Committees, guidance on directors' duties, relevant company policies and other materials. As part of the induction, the new director meets with key senior executives and receives briefings on key areas of the Bank's business, risk management and support functions. Briefings on specialised or technical topics relevant to Board

Corporate Governance

Committees are arranged for new directors who are also appointed to serve on such Board Committees.

The NC oversees the programme for the continuous development of new and existing directors which is refined on a regular basis. At least half a day is set aside each quarter for the in-house programme, which is conducted either by Management or external professionals. Topics covered in 2017 included the market outlook on China, performance of the Bank's portfolio, specific business lines, digital initiatives of the Bank, Basel IV capital requirements, anti-money laundering regulations, related party transactions, sustainability reporting and risk management.

In 2017, directors also joined Management in a series of forums at which speakers from various industries were invited to share their outlook on and experiences with technology. Guest speakers discussed the trends that shape and change the landscape for payment solutions, blockchain and cryptocurrencies as well as the digital financial services landscape in China, among others. In addition, the Bank organised a Board onsite visit to Malaysia to gain a better understanding of the Group's business and operations in the country and to meet major clients.

The NC is of the view that the directors' development programme in 2017 has considered the Bank's risk profile, business operations, business strategy and operating environment, and has met the objective of equipping directors with the relevant knowledge to perform their duties.

Leadership Succession

UOB recognises that people are its most valuable asset and has programmes to identify employees with potential and to nurture them for senior management positions. Potential future leaders are paired with mentors, given opportunities to hone their leadership skills and, where appropriate, offered cross-functional training and regional exposure. The Bank will look to external recruitment if there is no suitable internal candidate.

The NC recognises that the talent market is very competitive and has reviewed the management succession plans to ensure that the Bank's talent bench strength remains solid and that development plans and opportunities are given to deserving candidates. In particular, the positions of CEO, Chief Financial Officer (CFO) and Chief Risk Officer (CRO), business and function heads and the heads of the overseas banking subsidiaries are closely monitored. The NC also monitors the reasons behind senior executive resignations. 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 external auditor and senior executives for the purpose of carrying out their duties. They are provided with comprehensive information in advance of a meeting to enable them to contribute in board discussions and to make informed decisions. The information provided includes financial, strategic, risk management and operational reports. Subject-matter specialists and professional advisers, where relevant, are present at meetings to provide additional information or clarification on matters tabled.

Information is shared between relevant Board Committees through common membership in committees. The common membership also enables better coordination of work among the committees.

Directors have separate and independent access to the advice of the company secretaries, who are qualified lawyers. They may also seek independent professional advice at the Bank's expense in the course of discharging their duties.

Role of Company Secretaries

There are two company secretaries, one of whom is the head of the legal department. The company secretaries support directors in discharging their responsibilities and help the Board to monitor the execution of its decisions. They advise the Board on governance matters and facilitate communication between the Board and stakeholders, such as Management and shareholders. In addition, the company secretaries assist in the induction of new directors, the development programme for directors and board evaluation. Both the company secretaries attend all Board and Board Committee (except the RC) meetings and, where relevant, update the Board on applicable laws and regulations. The appointment and removal of the company secretaries are subject to the Board's approval.

Board Committee Composition

The NC, RC, BRMC and AC have been constituted in accordance with the Banking Regulations, while the SC and BCC are not mandatory Board Committees.

Following Mr Hsieh Fu Hua's retirement in February 2018, Mr Wong Kan Seng was appointed as the SC chairman. When Dr Wee Cho Yaw retires from the Board at the end of the 2018 AGM, Mr Ong Yew Huat will succeed him as the BRMC chairman and Mr Wee Ee Cheong will join the NC. With the appointment of new directors in July 2017 and in anticipation of the retirement of the two directors, the Board had reviewed the composition of the Board Committees, so that each Board Committee comprises a mix of longer-serving and newer directors. This ensures continuity and a smooth transition, as well as enables the newer directors to benefit from the knowledge and experience of the outgoing directors. The NC will continue to review the composition of each Board Committee to ensure that each has the most appropriate mix of skills and expertise to perform its duties and for an equitable distribution of responsibilities among the Board members.

The members and duties of each Board Committee can be found on the subsequent pages.

Strategy Committee

SC membership

- Before 15 February 2018: Hsieh Fu Hua (*chairman*), Wee Cho Yaw, Wee Ee Cheong, Franklin Leo Lavin, Lim Hwee Hua, Michael Lien Jown Leam and Wong Kan Seng
- From 15 February 2018: Wong Kan Seng (*chairman*), Wee Cho Yaw (*till 20 April 2018*), Wee Ee Cheong, Franklin Leo Lavin, Lim Hwee Hua and Michael Lien Jown Leam
- Majority of members, including the chairman, are independent directors

Assisting the Board in overseeing the Bank's strategies and related activities, the SC's responsibilities are as follows:

- assist the Board in providing strategic direction to the Bank and oversee the Bank's strategic plan and implementation;
- review medium- and long-term strategic objectives proposed by Management and oversee Management's performance in relation to the strategies;
- review, endorse and recommend the Bank's annual business plans, budget and the capital and debt structure in relation to the strategies;

- review the Bank's financial and operational performance in relation to approved budget;
- consider sustainability issues in formulating strategies and oversee the monitoring and management of ESG factors that are material to the business;
- 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.

In 2017, the SC monitored Management's progress in implementing the Bank's strategic plan and provided counsel to Management. It also provided guidance on new initiatives of the Bank and reviewed the Bank's financial performance and matters relating to the budget, dividends, capital and funding.

Senior executives of the Bank are in attendance at all SC meetings to provide an operational perspective of strategic initiatives and directions, and to update the SC on the progress made on strategic matters.

Board Credit Committee

BCC membership

- Before 15 February 2018: Ong Yew Huat (*chairman*), Hsieh Fu Hua, Wee Cho Yaw, Wee Ee Cheong, Franklin Leo Lavin, Alexander Charles Hungate and Wong Kan Seng
- From 15 February 2018: Ong Yew Huat (*chairman*), Wong Kan Seng, Wee Cho Yaw (*till 20 April 2018*), Wee Ee Cheong, Franklin Leo Lavin and Alexander Charles Hungate
- Majority of members, including the chairman, are independent directors

The BCC assists the Board to oversee exposure to large credits. It is responsible for:

- reviewing credit policies; and
- approving credit facilities within its limits.

In 2017, the BCC monitored credit quality and advised Management on credit risk matters. It also reviewed and refined the credit policies, credit discretionary limits (for authorised parties to approve credit facilities), credit facilities for specific borrowers (such as related parties of director groups and substantial shareholder groups) and exposures to specific borrowers and industries.

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Nominating Committee

NC membership

- Before 15 February 2018: Lim Hwee Hua (*chairman*), Hsieh Fu Hua, Wee Cho Yaw, Franklin Leo Lavin, Willie Cheng Jue Hiang, Michael Lien Jown Leam and Wong Kan Seng
- From 15 February 2018: Lim Hwee Hua (*chairman*), Wong Kan Seng, Wee Ee Cheong*, James Koh Cher Siang*, Willie Cheng Jue Hiang, Michael Lien Jown Leam, Wee Cho Yaw** and Franklin Leo Lavin**
- Wee Ee Cheong is alternate to Wee Cho Yaw up to 20 April 2018
- Majority of members, including the chairman, are independent directors

* From 21 April 2018

** Till 20 April 2018

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 continuous development of directors;
- review the nominations and reasons for resignations of key management appointment holders including the CEO, CFO and CRO; and
- perform succession planning.

The NC's main activities are outlined on pages 103 to 108.

REMUNERATION MATTERS

(Principles 7 to 9, MAS Guidelines)

Remuneration Committee

RC membership

- Before 15 February 2018: James Koh Cher Siang (*chairman*), Hsieh Fu Hua, Lim Hwee Hua, Alexander Charles Hungate and Wong Kan Seng
- From 15 February 2018: James Koh Cher Siang (*chairman*), Lim Hwee Hua, Alexander Charles Hungate and Wong Kan Seng
- All members are independent and non-executive directors

The RC has members who also serve on the NC. The common membership on the RC and NC facilitates coordination between the two committees on matters that have an impact on succession, remuneration and talent management.

The main responsibilities of the RC are as follows:

- establish a remuneration policy and framework that are in line with the strategic objectives and corporate values of the Bank and prudent risk-taking;
- determine a level and structure of remuneration that are linked to the Bank's performance and long-term interest and which are reasonable and appropriate to attract, to retain and to motivate directors and key management personnel; and
- review and recommend the remuneration for directors and key management personnel.

In 2017, the RC reviewed the remuneration framework and policy, directors' remuneration and other remuneration-related matters. External consultants were engaged to provide independent reviews in 2017. More information on the consultants can be found in the Remuneration section of this report.

Directors' Remuneration

There is only one executive director, Mr Wee Ee Cheong. He is remunerated as CEO of the Bank and does not receive a fee for his services as a director. Mr Wee Ee Cheong also does not participate in the Bank's share plans for executives, as he is a substantial shareholder.

Non-executive directors do not receive any variable remuneration such as options, share-based incentives or bonuses. The RC recommends the level and structure of directors' fees, which comprise 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. In making its recommendation, the RC considers the directors' responsibilities and the fee structure of comparable public-listed companies in the market.

The RC has also recommended the payment of an advisory fee to Dr Wee Cho Yaw for services rendered in 2017.

No director decides his/her 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

Remuneration for employees is commensurate with their performance and contributions. 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. The remuneration package comprises base salaries, performance bonuses, benefits and, where applicable, share-based incentives. More information on the Group's remuneration framework, policy and processes, including the remuneration mix and deferred remuneration for senior executives and material risk takers, can be found in the Remuneration section of this report. The Directors' Statement section of this report contains details of the Bank's share-based incentive plans.

The RC reviews and approves the overall performance bonus, share-based incentive plans and remuneration of Management based on the remuneration policy approved by the Board. It takes into account the performance of the Bank, functional performance as well as individual performance and contributions of the CEO and other members of Management. The BRMC and AC review and approve the performance of and remuneration for the CRO and Head of Group Audit respectively.

The RC also reviews the Bank's obligations arising in the event of the termination of Management's service contracts. It ensures that termination provisions in service contracts are not overly generous, onerous or adverse to the Bank.

In view of the sensitive nature of employee remuneration matters and the competitive human resource environment, the Bank believes that it is not to its advantage or in its best interest to disclose the remuneration of the top five non-director executives whether individually or in the aggregate. Employee remuneration matters should remain confidential in support of the Bank'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 is an immediate family member of a director or the CEO of UOB and whose 2017 remuneration exceeded \$50,000:

- Mr Wee Ee Cheong, the CEO of the Bank, is the son of Dr Wee Cho Yaw; 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 2017 was within the band of \$50,000 to \$100,000.

ACCOUNTABILITY AND AUDIT

(Principles 10 to 13, MAS Guidelines)

Board Risk Management Committee

BRMC membership

- Before 15 February 2018: Wee Cho Yaw (*chairman*), Hsieh Fu Hua, Wee Ee Cheong, Ong Yew Huat, Wong Kan Seng and Alvin Yeo Khirn Hai
- From 15 February 2018: Wee Cho Yaw (*chairman, till 20 April 2018*), Ong Yew Huat (*chairman, from 21 April 2018*), Wong Kan Seng, Wee Ee Cheong and Alvin Yeo Khirn Hai
- Majority of members, including the chairman, are non-executive directors

The BRMC reports to the Board quarterly and assists the Board in overseeing risk management matters, including the following:

- establishment and operation of a robust and independent risk management system to identify, to measure, to monitor, to control and to report risks on an enterprise-wide basis;
- 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;

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- appropriateness of the remuneration and incentive structure; and
- appointment, remuneration and resignation of the CRO.
- policies and procedures for handling fraud and whistleblowing cases; and
- interested person transactions and material related party transactions.

Reporting functionally to the BRMC and administratively to the CEO, the CRO is responsible for the day-to-day operations of the risk management functions in the Group.

In 2017, the BRMC reviewed the risk governance framework, key risk management frameworks, risk profile reports and stress test results. It also reviewed the Group's risk appetite, which defines the risk appetite thresholds and limits across key risk areas, for approval by the Board. In addition, it reviewed the Bank's remuneration practices in relation to promoting appropriate risk-taking behaviour and business continuity preparedness. The BRMC is kept informed of the strategic direction for the Bank's data governance. Please refer to the Risk Management section of this report for more information on the work overseen by the BRMC.

There are common members on the BRMC and AC. As risk management and internal controls are closely related, the common membership enables optimal use of the resources of the two committees and facilitates coordination of matters between the 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, re-appointment, 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;

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. The AC meets among themselves outside formal meetings 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.

Group Finance and the external auditor update the AC on new accounting standards and regulatory developments that are relevant to the Bank. 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 a direct impact on financial statements.

From 1 January 2018, all listed entities are required to move to a new accounting framework, the Singapore Financial Reporting Standards (International) or SFRS(I). The assessment of the Bank's preparation for the adoption of the new accounting framework began in early 2017. The AC worked with Group Finance and the external auditor to ensure the timely implementation and appropriateness of the judgements and application of the new accounting standards, in particular, SFRS(I) 1: First-time Adoption of SFRS(I), SFRS(I) 9: Financial Instruments, and SFRS(I) 15: Revenue from Contracts with Customers.

The AC also reviews fraud and whistleblowing cases as well as the policies and procedures governing the management of fraud and whistleblowing cases. Please refer to page 117 for more information on the whistleblowing policy, which is administered by the internal auditor.

In 2017, the AC reviewed the setup of the Bank's Three Lines of Defence model, and the business compliance model which seeks to enhance regulatory compliance by business units. For more holistic fraud management, a new Integrated Fraud Management unit was set up under Group Risk Management. This unit reports to the AC on its work and findings on fraud matters.

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 Rule requirements. The AC is responsible for recommending the appointment or re-appointment 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.

The audit and non-audit fees for 2017 are disclosed in Note 10 to the Financial Statements section of this report. 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 2004.

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 2017, 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 tables below and on the next page provide the AC's commentary on the Independent Auditor's Report.

Item		AC's Commentary on Independent Auditor's Report
Page 164-165	KAM: Impairment of Loans to Customers	<p>The Group's loans grew 5% year-on-year to \$236 billion, while the Group's non-performing loans (NPL) increased 27% to \$4.2 billion over the same period.</p> <p>Both the internal auditor and external auditor apprised us of Management's credit monitoring controls and processes. The external auditor presented its audit testing methodology and the results on impairment allowances during the year.</p> <p>We reviewed significant NPL, especially the exposures to the oil and gas and shipping sectors, to satisfy ourselves that the classifications and level of specific allowances, taking into consideration the valuation approach for the collateral, were appropriate.</p> <p>The external auditor also apprised us of the new expected credit loss (ECL) requirements of SFRS(I) 9: Financial Instruments that came into effect on 1 January 2018.</p> <p>We reviewed Management's methodology for general allowances, and the reversal of excess general allowances, taking into account the allowance requirements under the SFRS(I) 9. We deliberated on the historical loss experience of the Group and the resiliency of the general allowance to absorb possible loss, in light of the economic outlook and macroeconomic environment.</p> <p>Overall, we assessed that the allowances on loans under the new accounting standards, barring unforeseen circumstances, were adequate.</p>
Page 165	KAM: Valuation of Illiquid or Complex Financial Instruments	<p>We discussed with Management and the external auditor on the valuation techniques and unobservable inputs used to determine the fair value of illiquid or complex financial instruments such as unquoted private equity investments, callable interest rate swaps and 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 auditor's and external auditor's testing and review of the resultant fair values and fair value hierarchy classification of these financial instruments were presented to us. We considered that the fair value and classification of these financial instruments appropriate.</p>

+ "KAM" means key audit matter.

Corporate Governance

Item		AC's Commentary on Independent Auditor's Report
Page 166	KAM: Impairment of Goodwill	<p>Goodwill from the acquisition of Overseas Union Bank Limited, United Overseas Bank (Thai) Public Company Limited and PT Bank 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 and the discount rates used in the goodwill impairment testing and reviewed the results of the sensitivity analyses performed. We were satisfied with the assessment that no impairment was required on the goodwill for this financial year.</p>
Page 167	Other Information	<p>Other information (OI) comprises information other than that in the financial statements presented in the annual report. OI was not available to the external auditor at the issuance of its audit opinion on 13 February 2018. On 9 March 2018, the external auditor confirmed by a letter to the Board that it had since received and read the OI. It had considered whether the OI is materially inconsistent with the Group's financial statements for the financial year ended 31 December 2017 or its knowledge obtained in the audit or otherwise appears to be materially misstated, and had nothing to report in that regard.</p>

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 2017. It has therefore nominated Ernst & Young LLP for re-appointment at the 2018 AGM. UOB has complied with Rules 712 and 715 of the SGX-ST Listing Manual 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.

In 2018, the AC will conduct a tendering exercise for an external auditor for financial year 2020 onwards to comply with MAS' requirement for mandatory audit re-tendering of external auditors of the local banks.

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, who reports functionally to the AC and administratively to the CEO. Mr Daniel Ng is the current Head of Group Audit. He succeeded Mr Victor Ngo in April 2017, as the latter has been appointed as the Head of Group Compliance.

Independent of the activities that it audits, Group Audit works within the framework defined in the Internal Audit Charter. It 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. The last review was conducted by Protiviti Inc. in 2016.

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.

For greater effectiveness and efficiency and improved decision-making capabilities, Group Audit uses data analytics in the course of its work. The Group Audit team has subject-matter specialists in fields including technology, structured products, credit evaluation, fund management and investment. It ensures that audit staff receive adequate and appropriate training, and has put in place measures to build functional continuity.

Further, Group Audit 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 2017, Group Audit increased the number of global audits conducted significantly. This ensures that there is holistic assessment of audit issues, system gaps are identified and issues with common root cause across the Group are dealt with concurrently.

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 adequately resourced and effective in carrying out 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, Communications and Brand 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.

- **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. 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.

UOB has implemented a governance, risk and compliance (GRC) system, which provides an enterprise-wide view across governance, risk management and compliance activities throughout the organisation. This integrated platform facilitates information-sharing and coordination and collaboration among Group Audit, Group Risk Management and Group Compliance, enabling more effective governance oversight and response to issues identified. In 2017, the GRC system was enhanced to integrate the GRC processes into the audit process.

The Bank has established an escalation process for reporting material incidents and breaches. The process facilitates the relevant Board Committee's or the Board's oversight of follow-up actions taken by Management. In 2017, the Bank also reorganised its fraud management process with the establishment of the Integrated Fraud Management unit.

Corporate Governance

Various self-assessments for assessing compliance with internal controls, risk management processes and applicable regulations are conducted by business and support units and the results are reviewed by Management. For the year under review, the AC and the Head of Group Audit have reviewed the internal controls and the BRMC and the CRO have 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 2017. 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 and its financial performance to facilitate the exercise of rights by shareholders.

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 for the benefit of shareholders. 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.

Adequate time is allocated for shareholders to give their views on Bank-related matters at each general meeting. 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. Each agenda item is put to the vote separately. When 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 promptly 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 and publishes pertinent information on SGXNet and the UOB website (www.UOBgroup.com) on a timely basis for access by shareholders and other stakeholders. The investor relations webpage on the UOB website hosts all investor-related information, including the latest financial results and annual report, upcoming events and share and dividend information.

The financial results, which are approved by the Board prior to the Bank's announcement, provide stakeholders with a balanced assessment of the Bank's performance, position and prospects. Quarterly financial results are announced within 45 days from the end of each financial quarter. The full-year financial results 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. As part of the Bank's efforts to reduce its carbon footprint, the Bank has discontinued its practice of sending the full annual report to shareholders in the form 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. 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 the financial year-end. At each AGM, the CEO delivers a presentation to update shareholders on the Bank's performance in the preceding financial year. The directors, including the Board Chairman and the committee chairpersons, and senior executives are in attendance to address shareholders' queries. The external auditor is also present to address queries on the conduct of audit and the external auditor's report. The minutes of the AGM are published on the UOB website, together with the responses to the queries raised by shareholders during the meeting.

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 and analysts following the release of the half-year and full-year financial results, and telephone conferences with analysts after the announcement of the first-quarter and third-quarter financial results. Corporate day events are organised in 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 sustainable growth with prudent capital management. Dividends recommended or declared for payment are announced on SGXNet.

UOB pays dividends in a timely manner. Dividends are paid within 30 days after any interim dividend has been declared and after any final dividend has been approved 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 less than 30 market days, but not more than 35 market days, after the books closure date).

RELATED PARTY TRANSACTIONS AND INTERESTED PERSON TRANSACTIONS

(Principle 17, MAS Guidelines)

UOB has a policy on monitoring and disclosing interested person transactions, related party transactions and director-related transactions. All interested person transactions and material related party transactions are reported to the AC, which reviews if such transactions are undertaken in the ordinary course of business and on normal commercial terms and arm's length basis. All directors and the CEO have to declare any interest which could conflict with UOB's interest and to abstain from voting on matters in which they have an interest.

Related party transactions are disclosed in the Notes to the Financial Statements of this report. The particulars of all interested person transactions entered into during the year in review are set out on the next page.

Corporate Governance

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 \$290,077.	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 \$449,546.	Nil
UOL Group Limited and its subsidiaries (UOL Group)	<p>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 \$910,509.</p> <p>The Bank rented the following premises from UOL Property Investments Pte Ltd:</p> <ul style="list-style-type: none"> • #11-01A United Square for 34 months from 1 April 2017 at \$255,969; and • #11-05 United Square for 22 months from 1 April 2018 at \$263,549. <p>United Overseas Bank (Malaysia) Bhd paid MYR323,603 for accommodation and for the use of meeting rooms to Parkroyal Kuala Lumpur.</p>	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 \$19.55 million.	Nil

Material Contracts

No material contract involving the interest of the CEO, any director or controlling shareholder of the Bank 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 2017, save as may be disclosed on SGXNet or herein.

ETHICAL STANDARDS

Code of Conduct

The Bank's values of Honourable, Enterprising, United and Committed, which are adopted as appraisal criteria for employees, are at the heart of the UOB Code of Conduct. The written code guides directors and employees on their conduct at the workplace and with stakeholders, and seeks to foster a culture of honesty and accountability to protect the interests of the Bank and its stakeholders.

The code lays down the principles of personal and professional conduct, including in the following areas:

- Fair Dealing in the conduct of business;
- confidentiality of customer information;
- protection of personal data;
- 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
- whistleblowing.

The code is reviewed periodically for relevance. Annually, employees refresh their knowledge of the code through an online learning tool. Employees are monitored for their completion of the online learning and performance. Any employee who does not comply with the code may be subject to disciplinary action.

Whistleblowing Policy

The Bank's whistleblowing policy provides for any individual to 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 outlines well-defined whistleblowing channels and sets out the procedures by which Group Audit investigates whistleblowing cases.

Whistleblowing reports may be sent to the Head of Group Audit at United Overseas Bank Limited, 396 Alexandra Road, #03-09, Singapore 119954. Alternatively, reports may 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 and investigated independently by Group Audit, which submits regular updates on whistleblowing reports received to the AC. The Bank prohibits reprisal in any form against whistleblowers who have acted in good faith.

Employees have access to the whistleblowing policy, which is published on the Bank's intranet. They are reminded, via the UOB Code of Conduct and a bulletin broadcast by Group Audit, of their responsibility to report any genuine concern that they may have and of the seriousness that the Bank places on whistleblower 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

panel which looks into all customer complaints received. Clear processes and procedures have been established to enable the panel to review and to investigate complaints independently, objectively and promptly and to communicate decisions 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. The code also prohibits them from dealing 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 any securities.

Directors and the CEO have a duty to notify the Bank of his/her interests in the securities of UOB and its related corporations within two business days after they acquire such interests or become aware of any change in interests for the Bank's announcement on SGXNet.

Corporate Governance

SUMMARY OF DISCLOSURES

	Page reference in annual report
Principles and guidelines in MAS Guidelines with express disclosure requirements	
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	102
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	103
Guideline 1.5 The type of material transactions that require board approval under guidelines	102
Guideline 1.6 The induction, orientation and training provided to new and existing directors	105-106
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	106
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 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	104
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
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	Not applicable
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members	Not applicable
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	103-108
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	105
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	105
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	12-18
Guideline 4.13 Resignation or dismissal of key appointment holders	Not applicable

Principles and guidelines in MAS Guidelines with express disclosure requirements	Page reference in annual report
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	105
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	105
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	108-109
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	123
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	121-125
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)	108-109
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	160
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	109
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	109
Guideline 9.5 Details and important terms of employee share schemes	161

Corporate Governance

Principles and guidelines in MAS Guidelines with express disclosure requirements	Page reference in annual report
<p>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</p>	121-125
<p>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</p>	114
<p>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</p>	109-110
<p>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</p>	110-113
<p>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</p>	187
<p>Guideline 12.7 The existence of a whistleblowing policy should be disclosed in the company's annual report</p>	117
<p>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</p>	110
<p>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</p>	114-115
<p>Guideline 15.5 Where dividends are not paid, companies should disclose their reasons</p>	Not applicable
<p>Guideline 17.4 Material related party transactions</p>	235-236

Remuneration

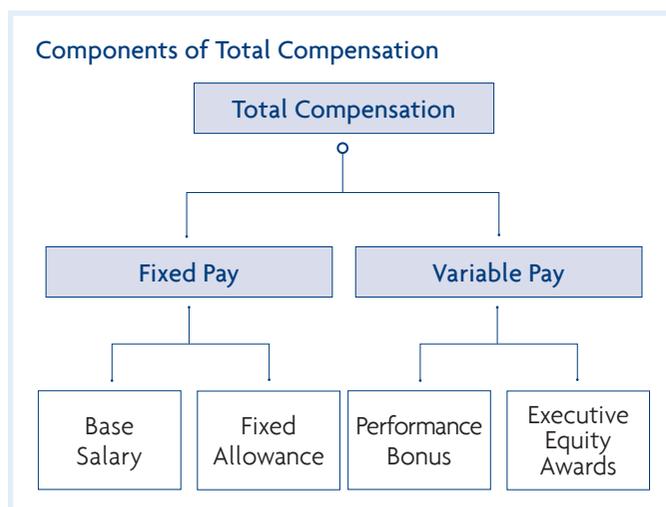
Group Remuneration Policy

The UOB Group Remuneration Policy is applicable Group-wide and includes all overseas subsidiaries and overseas branches within the Group. It sets out the principles and philosophies that guide the design, operation and management of our remuneration programmes. The objective is to ensure we attract, motivate and retain a highly-skilled workforce across the organisation worldwide, while also encouraging values-based behaviours that underpin the long-term financial strength and reputation of the Group. Our remuneration programmes 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 the 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 Executives (SE) and Material Risk Takers (MRT). SEs are the Group Chief Executive Officer and senior corporate Managing Directors. 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 and trading limits. The policy is reviewed by the Remuneration Committee (RC) regularly to ensure our compensation practices and programmes take into consideration regulatory requirements and are responsive to market developments.

Our Approach to Remuneration

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.

The Group's compensation 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 (performance bonus and executive equity awards where applicable) rewards employees based on the performance of the Group and the employee's individual performance.



We take a holistic view of various factors to determine and to ensure that an employee's total compensation is fair. These factors include:

- the market value of the employee's job (Pay for Position);
- the employee's personal attributes such as experience, competencies and behaviours that uphold the UOB values (Pay for Person); and
- the performance of the Group and the employee's individual achievement of performance targets (Pay for Performance).

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 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 Person

An employee's personal attributes such as skills, experience and competency determine how the employee is compensated. Employees who are highly competent and more experienced in their roles typically receive a higher base salary that commensurates with those personal attributes. We also take into consideration how an employee behaves in relation to the UOB values.

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.

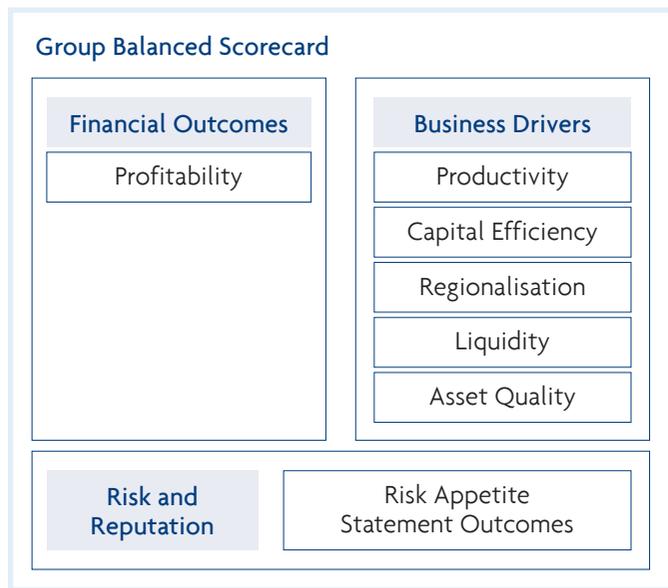
Variable Pay – Performance Bonus

Determining the Performance Bonus Pool

Under the Group's total compensation framework, the total compensation paid to employees is set as a function of the net profit before tax. The performance bonus pool is then determined by the productivity levels achieved based on the performance of the Group's balanced scorecard. In 2017, the Group Balanced Scorecard was more closely aligned to the Group's strategic priorities, including the usage of financial outcomes, business drivers, and risk and reputation. Key business drivers include productivity, capital efficiency, the Group's regionalisation strategy, liquidity and the quality of our assets. For the SEs, the performance bonus pool is set as a function of net profit before tax and risk-weighted metrics, in line with the Group Balanced Scorecard.

Remuneration

The usage of risk-weighted metrics further emphasises UOB's prudent capital usage and risk management across the Group. Risk and reputation are dependent on the outcomes under the Group Risk Appetite Statement, as assessed by the Board Risk Management Committee. Depending on the severity of breaches under the Group Risk Appetite Statement, the RC may reduce the performance bonuses for the year as it deems fit.



Allocating and Distributing the Performance Bonus Pool

The Group's performance bonus 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 performance bonus 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 performance bonuses. Conversely, performance bonuses are not awarded to employees who do not meet the performance expectations for the year.

Variable Pay – Executive Equity Awards

The Executive Equity Plan (EEP) forms the Group's long-term compensation component which is forward looking, with rewards based on the Group's future performance. The EEP 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
- deliver compensation that drives the long-term performance of the Group.

EEP awards are delivered in the form of performance-based restricted shares that vest over a period of three years, contingent on the Group meeting long-term performance targets. During the year, we reviewed and revised the performance conditions of the EEP awards. From 2017, EEP awards granted are subject to the performance of the Group's two-year and three-year Average Return on Equity (ROE) against the corresponding two-year and three-year Average Cost of Equity (COE) hurdles respectively. For each vesting tranche of the EEP awards, 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 EEP awards to be vested will be determined at the sole discretion of the RC.

Criteria for Vesting of EEP Awards

Tranche	Performance Condition
Year 1	No vesting
Year 2	30 per cent of awards to vest, subject to two-year Average ROE performance (if it equals or is above two-year Average COE) At RC's discretion should the two-year Average ROE fall below two-year Average COE
Year 3	70 per cent of awards to vest, subject to three-year Average ROE performance (if it equals or is above three-year Average COE) At RC's discretion should the three-year Average ROE fall below three-year Average COE

Remuneration Governance

The RC 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 value and strengthens the franchise, and is aligned with shareholders' long-term interests. The Board Risk Management Committee (BRMC) also provides input to the RC, to ensure that remuneration and incentive practices adopted by the Group do not incentivise inappropriate risk-taking behaviours.

In 2017, the RC endorsed the engagement of two external management consulting firms, Aon Hewitt McLagan and Oliver Wyman, to provide independent reviews of the compensation model for our SEs. Following the review, the RC approved the implementation of the risk-weighted metrics in the computation of the performance bonus pool for the SEs from 2017 onwards. This change is in alignment with the revised Group Balanced Scorecard. The new compensation model continues to strengthen our SEs' alignment with the performance of the Group and with the long-term interests of our shareholders. Additionally, Aon Hewitt McLagan was also engaged to review the market relevance of the directors' remuneration. Aon Hewitt McLagan, Oliver Wyman and their consultants are independent and are not related to UOB or any of our directors.

Details of the composition of the RC and a summary of its key roles and responsibilities can be found in the Corporate Governance section of this report.

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. The performance bonuses for control functions are capped at no more than 10 per cent variance year on year to strengthen further the independence of these control functions. 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 all employees regardless of role or seniority, with a specific focus on the variable pay for SEs, MRTs and other employees who receive a high variable pay. 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. Variable pay deferral in the Group comprises two main elements – the awards made under the EEP and bonus deferrals.

Executive Equity Awards

The EEP awards form a component of the Group's deferred variable pay. We believe that it is necessary for senior employees to have a material portion of their total compensation aligned with the long-term interests of shareholders.

Deferred Bonus

Under the variable pay deferral policy, all variable pay, including performance bonus and EEP awards, 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. Where the quantum of variable pay deferral exceeds the EEP awards granted, the excess will be deferred in the form of cash bonus deferrals. Deferred bonus will vest equally over three years.

Deferral Guidelines

The deferral guidelines apply consistently to all employees, including the same vesting conditions for deferred compensation applied on 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 SEs 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 RC reserves the discretionary powers regarding the enforcement of malus and the clawback of any paid compensation.

Remuneration

Remuneration Outcomes in 2017

The Group reported an improvement in the balanced scorecard rating for 2017, resulting in an increase in the net earnings compared with 2016. This is attributable to broad-based improvements across most business segments. We experienced a double-digit growth in regional profitability as the Group continues to sharpen the focus on franchise building. The Group's cost-to-income ratio was stable despite continued investments in talent acquisition, technology and infrastructure to enhance product and service capabilities. Overall, the balance sheet remained strong, supported by higher return on risk-weighted assets, stable funding position and growth in our capital base.

The Group continues to maintain a strong focus on managing risk and reputation, while building talent bench strength. The RC considered both the Group's overall performance and the Group's Risk Appetite Statement outcomes when determining the Group's compensation.

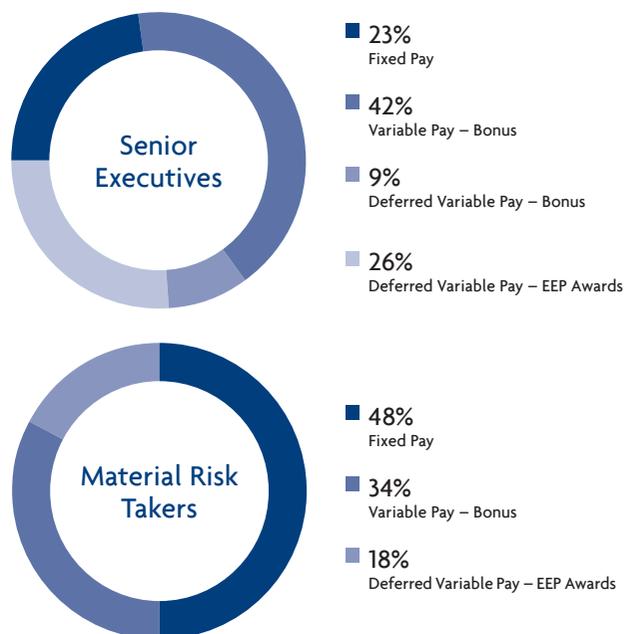
Senior Executives and Material Risk Takers

While the Monetary Authority of Singapore's Guidelines recommend the disclosure of the total amounts of guaranteed bonuses, sign-on awards and severance payments of the SEs and MRTs, and the disclosure of the remuneration of the top five non-director executives, the Bank believes that it is neither to our advantage nor in our best interest to do so especially, given the highly competitive market for talent.

Guaranteed Bonuses, Sign-On Awards and Severance Payments

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	0	3
Number of sign-on awards	0	9
Number of severance payments	0	2
Total amounts of above payments made for the financial year (\$'000)	0	1,937
Number of employees	13	165
Number of employees that received variable pay	13	160

Breakdown of Remuneration Awarded to SEs and MRTs in the Current Financial Year



Breakdown of Long-term Remuneration Awards

Category of remuneration	SEs %	MRTs %
Change in deferred remuneration paid out in current financial year	8	47
Change in amount of outstanding deferred remuneration from previous financial year	24	46
Outstanding deferred remuneration (breakdown)		
Cash	15	–
Shares and share-linked instruments	85	100
Other forms of remuneration	–	–
Total	100	100
Outstanding deferred remuneration (performance adjustments)		
Of which exposed to ex-post adjustments	100	100
Reductions in current year due to ex-post adjustments (explicit ¹)	–	–
Reductions in current year due to ex-post adjustments (implicit ²)	–	–
Outstanding retained remuneration (performance adjustments)		
Of which exposed to ex-post adjustments	–	–
Reductions in current year due to ex-post adjustments (explicit)	–	–
Reductions in current year due to ex-post adjustments (implicit)	–	–

1 Examples of explicit ex-post adjustments include malus, clawbacks or similar reversals or downward revaluations of awards.

2 Examples of implicit ex-post adjustments include fluctuations in the value of the 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.

2017 Highlights

Enhancing Risk Frameworks and Systems to Support Sustainable Growth

In 2017, Group Risk Management instituted several enhancements to manage evolving risks better. We enhanced our Group Technology Risk Management Framework with refinements in the methodology for managing technology risk. We also enhanced our Governance, Risk and Compliance (GRC) system to improve efficiency and incorporate new regulatory requirements on outsourcing. We will continue to enhance the GRC to achieve automation and standardisation of key compliance, operational risk and audit activities for all business and support units across all subsidiaries and branches.

2017 also saw our dedicated Integrated Fraud Management (IFM) unit establish an IFM strategy and framework for fraud prevention, detection, response, remediation and reporting. The framework covers the roles and responsibilities of the First Line of Defence with integrated oversight by the Second Line of Defence and audit assurance by the Third Line of Defence. We also established dedicated IFM teams in our overseas subsidiaries and ensured all First Line business and support units received structured training on IFM requirements.

Significant investments were made in 2017 to ensure our market risk management capabilities kept pace with the dynamic environment. These included investments in system projects to improve risk limit monitoring, profit and loss reporting and enhancements to improve our efficiency in acquiring, validating, storing and distributing market data within the Bank.

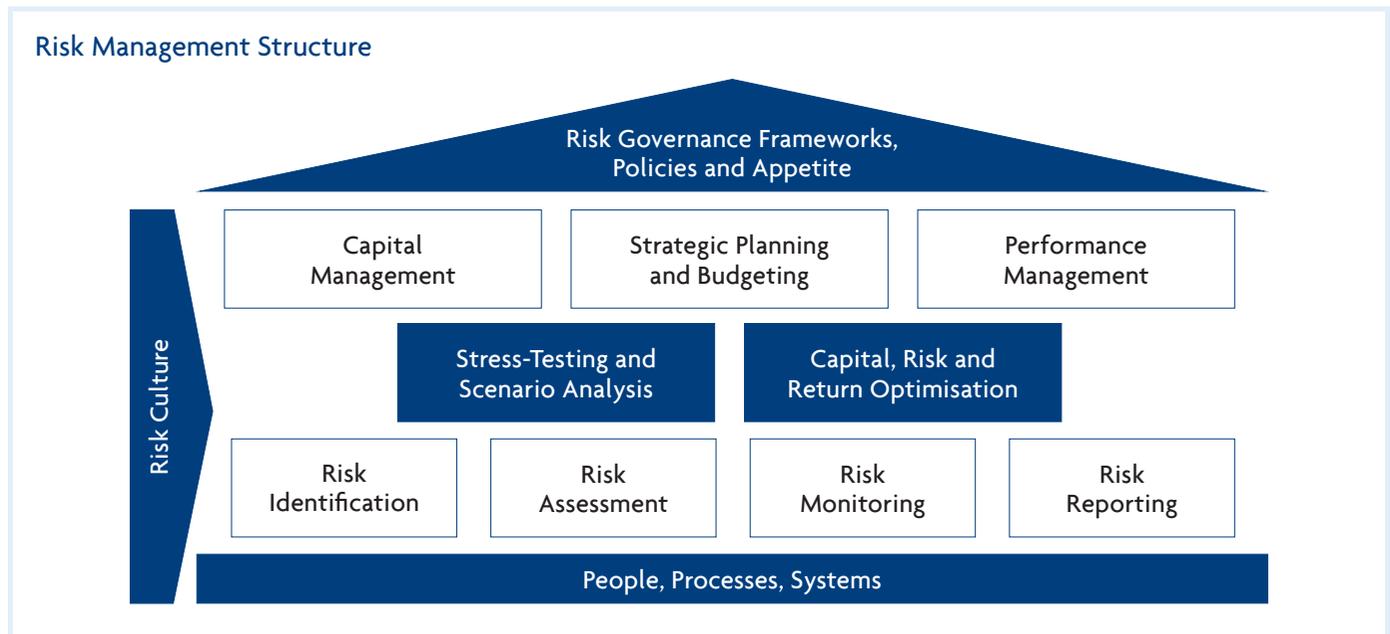
For liquidity and interest rate risks, we have enhanced our systems to meet regulatory and industry standards for Net Stable Funding Ratio and Interest Rate Risk in the Banking Book (IRRBB). The IRRBB enhancements were notably completed ahead of the 2019 regulatory implementation date. The strengthened system capacity has significantly pushed ahead the Group's capability to optimise, to monitor, to report and to manage its liquidity and interest rate risks. We also achieved good progress in projects to support the upcoming regulatory requirements arising from the Fundamental Review of the Trading Book. These projects are on schedule to meet the stipulated regulatory implementation date.

We recognise the material reputational and credit risk implications that environmental, social and governance issues (ESG) could have on the Bank. In 2017 we enhanced our policy on responsible financing and intensified our capacity-building efforts in this area*. UOB is committed to responsible financing and will work closely with our customers to manage the ESG impact of their businesses. We will continue to engage our stakeholders to ensure that material ESG concerns are duly considered and adequately addressed.

* More information on our responsible financing policy and efforts can be found in the Sustainability Approach and Customers sections.

Our Approach

UOB's risk management structure, as shown in the following diagram, aims to promote a risk aware culture throughout the Group. This requires the various risk and control oversight functions to work together 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 ensuring proper risk governance 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 overarching 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 Risk Appetite is part of the Group's Internal Capital Adequacy Assessment Process (ICAAP), which incorporates stress-testing to ensure that the Group's capital, risk and return are within acceptable levels under stress scenarios. We also take into consideration the Group's risk appetite in the development of risk-related key performance indicators (KPIs) for performance measurement. This serves to embed a risk management mindset and culture throughout the organisation.

Our risk governance frameworks, policies and appetites are implemented through identification, assessment, monitoring and reporting processes. 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.

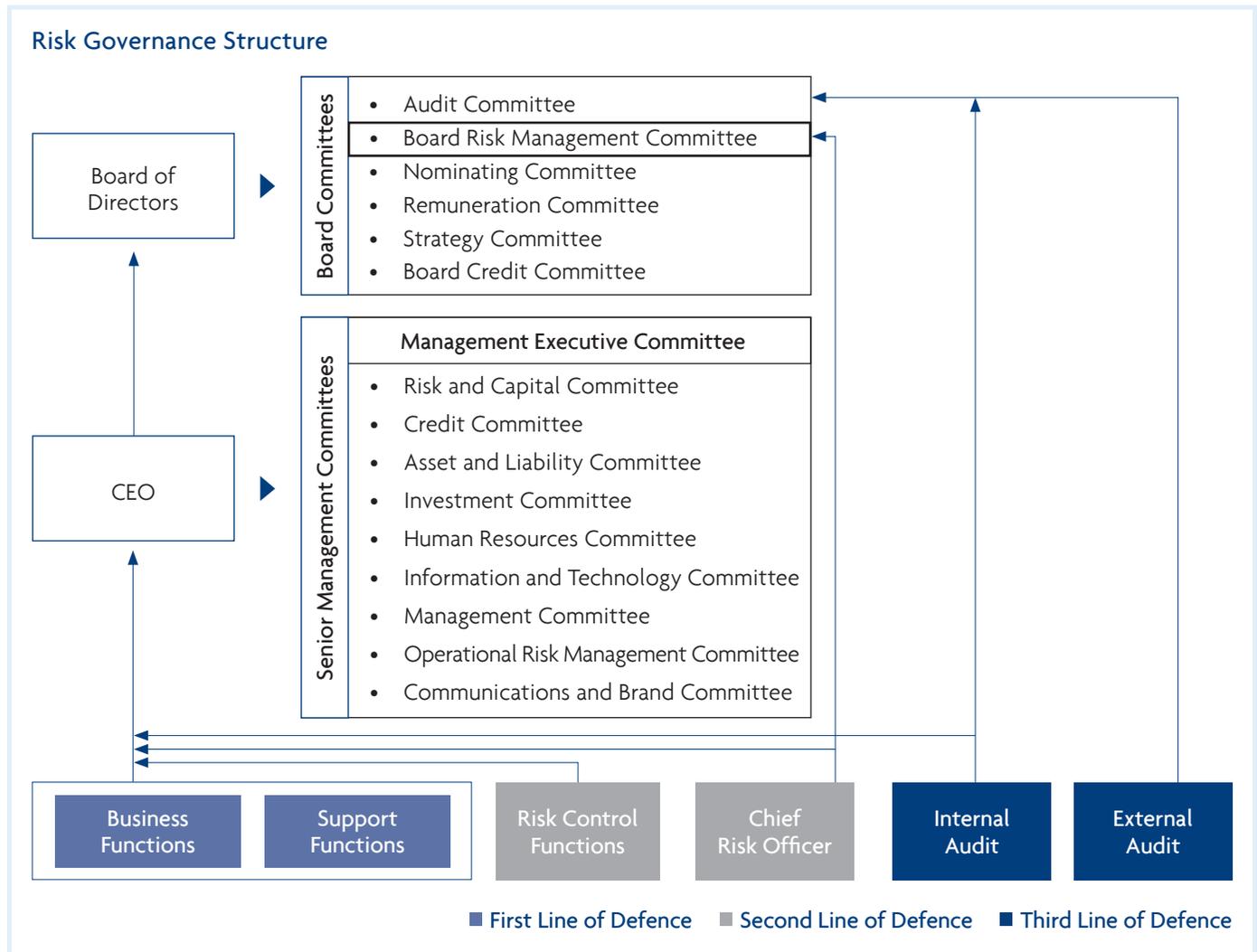
The CEO has established senior management committees to assist in making business decisions with due consideration to risks and returns. The main senior management committees

Risk Management

involved in this are the Management Executive Committee, Asset and Liability Committee (ALCO), Credit Committee (CC), Operational Risk Management Committee (ORMC) and the Risk and Capital Committee (RCC). These committees also assist the Board Committees in specific risk areas.

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 also 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 organisation 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 for the management of 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 oversight functions are also responsible for the independent review and monitoring of the Group's risk profile and 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, on 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 objective 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:

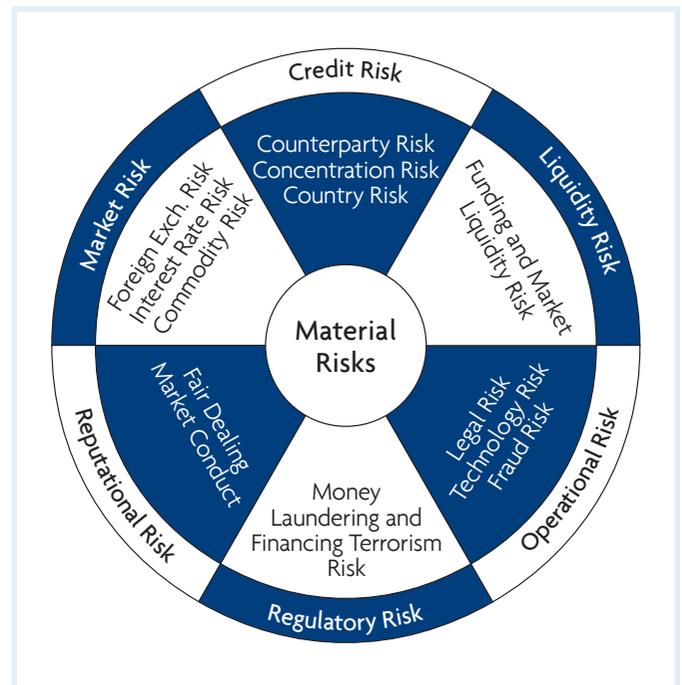
- relevance to respective stakeholders, with appropriate levels of granularity;
- practical, consistent and easy to understand metrics for communication and implementation;
- alignment to key elements of the Group's business strategy; and
- analytically substantiated and measurable metrics.

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 risk 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 allows 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. 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 key risks which could impact the success of achieving the Group's strategic objectives are as follow:



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).

Risk Management

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 Quantitative 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.

Credit Risk Governance and Organisation

The CC is the key oversight committee for credit risk and supports the CEO and Board Credit Committee (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 prudent, consistent and efficient credit risk management framework. It is responsible for the reporting, analysis and management of all elements of credit risk to the CC and the 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 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 plus 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 also has 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 Management 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 (ISDA) Master Agreements, the Credit Support Annex (CSA) and the Global Master Repurchase Agreements (GMRA). 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 (CCP), where possible, to reduce counterparty credit exposure further through multilateral netting and the daily margining process.

The Group's foreign exchange-related settlement risk has been reduced significantly through our participation in the Continuous Linked Settlement (CLS) system. This system allows transactions to be settled irrevocably on a delivery versus payment basis.

As at 31 December 2017, UOB would be required to post additional collateral of US\$5 million with our counterparties if our credit rating were 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 seen a pronounced increase over the years, consistent with rising trade flows between China and Southeast Asia. The Group manages our 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 have taken 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 and the value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. Our collateral 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 collateral, reflecting the underlying nature of the collateral, quality, volatility and liquidity. In addition, collateral taken by the Group has to fulfil 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 IRB 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 monitors regularly credit exposures, portfolio performance and emerging risks that may impact our credit risk profile. The Board and Management 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.

Risk Management

Delinquency Monitoring

We monitor closely 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.

Classification and Loan Loss Impairment

We classify our credit portfolios according to the borrowers' ability to repay the credit facility 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'.

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 in accordance with 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 for to comply with the Group's impairment policy and the MAS' requirements.

Group Special Asset Management

Group Special Asset Management (GSAM) is an independent division that manages the restructuring, workout and recovery of the Group's Non Performing Asset (NPA) portfolios. The 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.

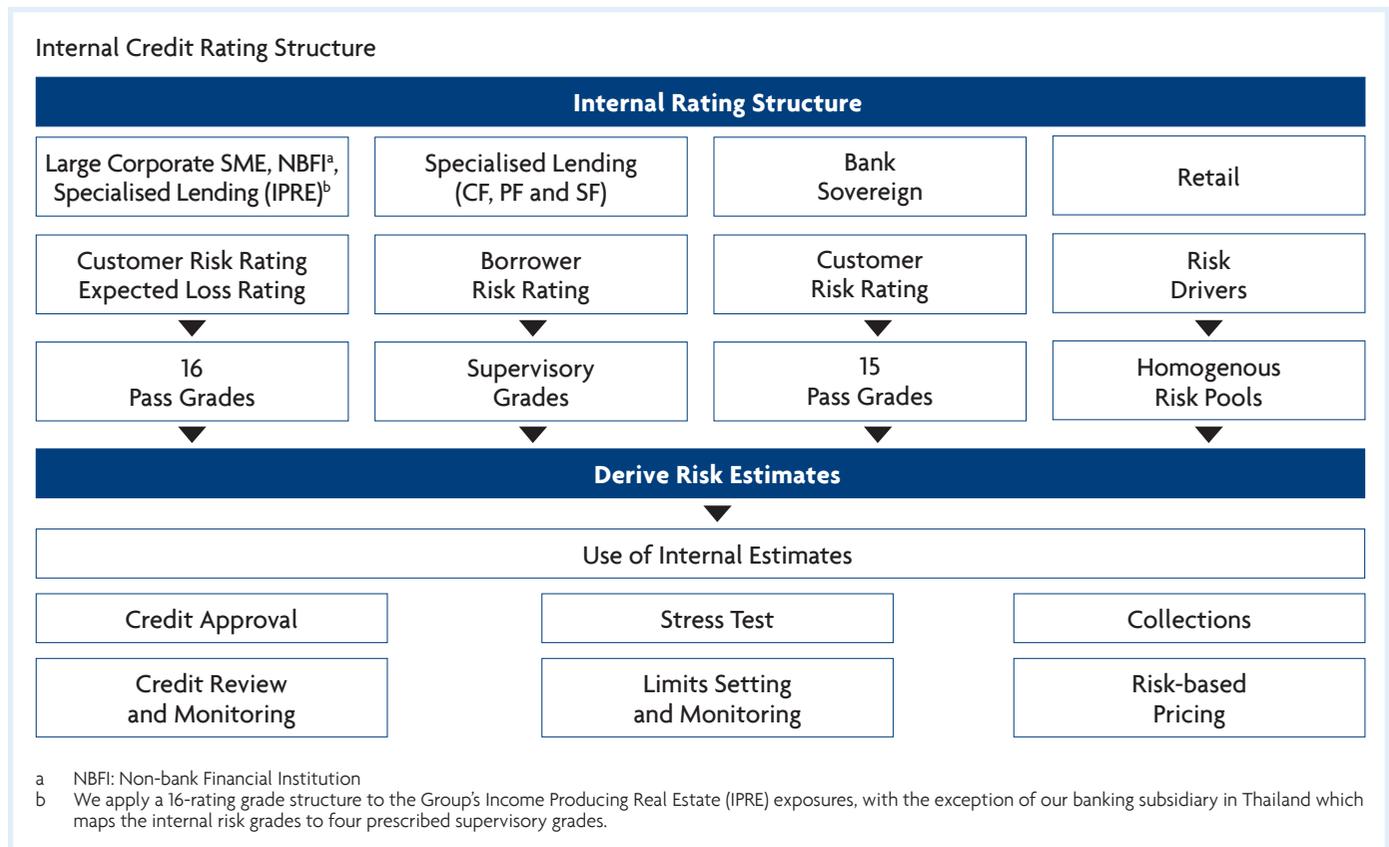
Internal Credit Rating System

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 the 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 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 76.4 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 models to rate Non-bank Financial Institution (NBF), 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 NBF, 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 (QRRE) 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 are 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 10.0 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

The Group has investments in asset-backed securities in our investment portfolio. Securitised assets are valued at average bid prices sourced through brokers, banks and independent third-party pricing vendors. This is based on the assumption that the asset can be sold at these bid prices. There is no change to the methods and key assumptions for valuing positions from the previous period.

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.

Risk weights for securitisation exposures are computed using the Ratings-Based Method for such exposures as prescribed under MAS Notice 637.

Credit Exposures Subject to Standardised Approach (SA)

We have obtained MAS' approval to adopt the IRBA for the majority of our portfolios, with 28 per cent of our exposures treated under AIRB and 63 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 migrate progressively 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 is governed by the ALCO, which meets monthly to review and to provide directions on market risk matters. The Market Risk Management (MRM) 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, a Product/Service Programme process ensures that market risk issues identified are addressed adequately prior to the launch of products and services. We review and enhance our management of derivatives risks continually to ensure that the complexities of the business are controlled appropriately.

Our overall market risk appetite is balanced at the Group, Bank and business unit levels with targeted revenue 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 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 investment 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.

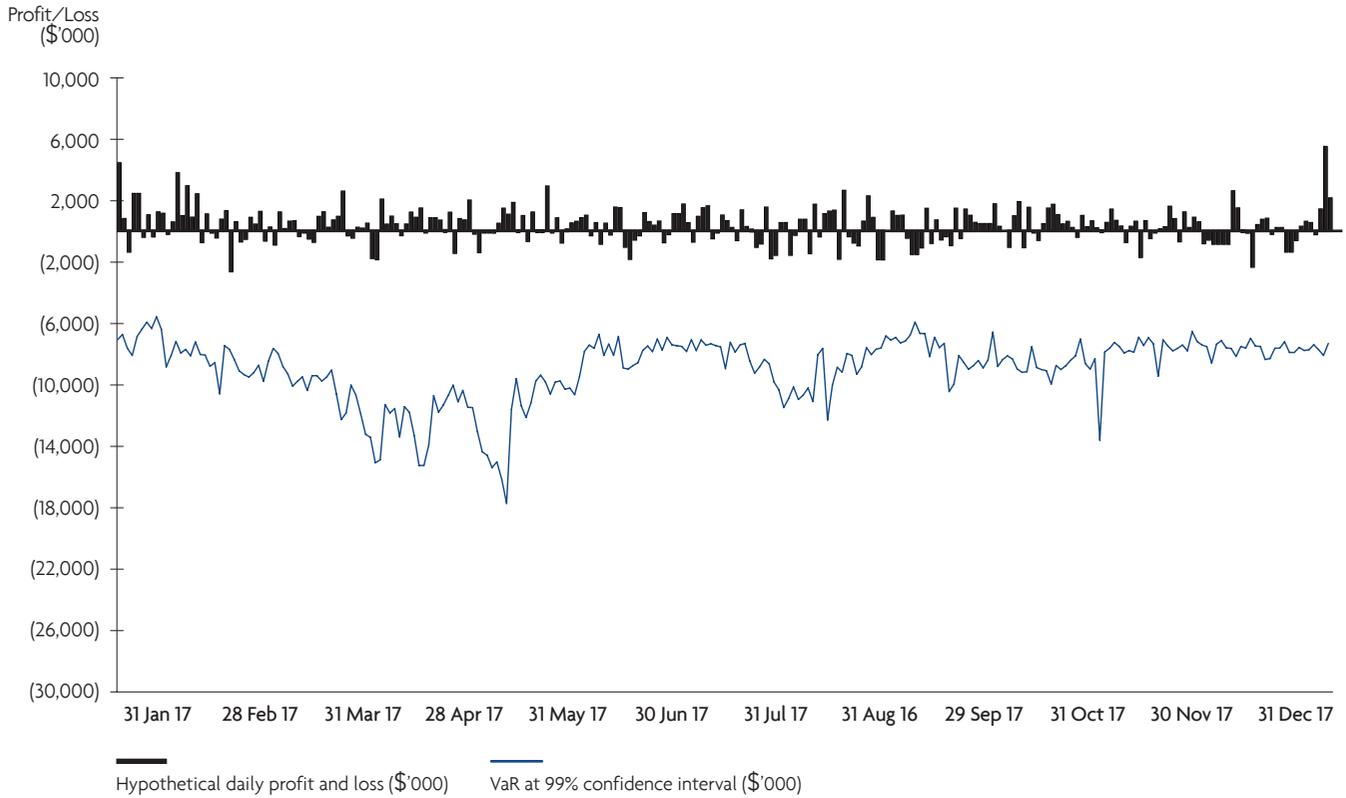
Internal Model Approach

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)

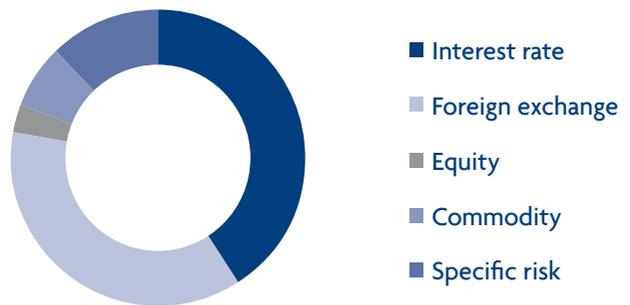


As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit and loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtesting exceptions are tabled at the ALCO with recommended actions and resolutions.

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 2017 was \$7.21 million.

Group Trading VaR for Market Risk by Risk Class



Interest Rate Risk in the Banking Book

The ALCO maintains oversight of the effectiveness of the interest rate risk management structure. The BSRM Division supports the ALCO in monitoring the interest rate risk profile of the banking book.

Our primary objective of interest rate risk management 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.

Banking book interest rate risk exposure is quantified on a monthly basis using a combination of static analysis tools and dynamic simulation techniques. Static analysis tools include repricing schedules and sensitivity analysis. They provide indications of the potential impact of interest rate changes on interest income and price-value through the analysis of the sensitivity of assets and liabilities to changes in interest rates. Interest rate sensitivity varies with different repricing periods, currencies and embedded options. Mismatches in the longer tenor will experience greater change in the price-value of interest rate positions than similar positions in the shorter tenor.

In the dynamic simulation process, we apply both the earnings and Economic Value of Equity (EVE) approaches to assess interest rate risk. We estimate the potential effects of interest rate change on interest income by simulating the possible future course of interest rates, expected changes in business activities over time, as well as the effects of embedded options. Embedded options may be in the form of loan prepayment and deposit pre-upliftment. Changes in interest rates are simulated using different interest rate scenarios such as changes in the shape of the yield curve, including high and low rates, as well as positive and negative tilt scenarios.

In EVE sensitivity simulations, we compute the present values 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 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 warning 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

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 to address 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 cash shortfall.

The distribution of deposits is managed actively 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. With regard to the regulatory requirements on the Liquidity Coverage Ratio (LCR) which are effective from 1 January 2015, the Group's ratios were above 100 per cent for both the All Currency LCR and the Singapore Dollar LCR as at 31 December 2017*.

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.

* Quarterly updates are available on UOB's website at www.UOBgroup.com/investor/financial/overview.html

Risk Management

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, regulatory compliance risk, technology risk and reputational risk but excludes strategic risk.

Our objective is to manage operational risk at appropriate levels relative to the markets in which the businesses operate.

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 provide oversight of 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, oversees the management of operational risk. It exercises governance over operational risk through providing relevant frameworks, policies, programmes and systems, quality assurance of internal controls as well as operational risk measurement. It also monitors and reports operational risks and events to Management, the relevant Management committees and the Board.

Group Audit acts as the Third Line of Defence by providing an independent and objective assessment on the overall effectiveness of the risk governance framework and internal control through periodic audit reviews.

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. Management provides an annual attestation to the Board on the state of business continuity readiness of the Group.

We have also established a technology risk management framework to enable the Group to manage technology risks in a systematic and consistent manner. We will continue to enhance our cyber risk management to ensure stringent cyber risk governance and cybersecurity management.

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 and sanctions relating to anti-money laundering and countering the financing of terrorism.

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 the Bank's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

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.

The Group's insurance programme which covers crime, fraud, civil liability, cyber liability, property damage, public liability, as well as directors' and officers' liability enables us to mitigate operational losses resulting from significant risk events.

Fraud Risk

The Group actively manages fraud and bribery risks. The Group Fraud Risk Management framework and policy were established to institutionalise our approach to fraud risk management. They articulate the strategy and governance structures and espouse a strong anti-fraud awareness and mindset. A fraud hotline, an independent investigations function and a fraud risk awareness training programme were established to manage such risks. All employees are guided by a Code of Conduct, which includes anti-bribery and anti-corruption provisions.

The Integrated Fraud Management Division under Group Risk Management drives strategy and governance for fraud risk management as well as conducts independent fraud investigation across the Group. The division works closely with business and support units to strengthen their current practices across the five pillars of prevention, detection, response, remediation and reporting. Using data analytics and technology, the division will implement proactive measures to deter fraud risks and to improve the overall effectiveness of fraud risk management across functions and geographies.

The corporate governance of fraud risk is provided by the Audit Committee at Board level, and primarily by the ORMC at Management level.

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 also aim to sustain the strong credit ratings for which UOB is noted by our external 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 manages the Group's ICAAP, overall risk profile and capital requirements. The BRMC and management are updated on the Group's capital position every quarter, while the capital management and contingency capital plans are reviewed at least annually. Capital management actions are also submitted to Senior Management and/or the Board for approval.

The Bank is the primary equity 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 the 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-SIB) in Singapore, UOB is subject to stricter policy measures such as higher capital requirements imposed by the Monetary Authority of Singapore (MAS).

For 2017, 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. In addition, to ensure that banks build up adequate capital buffer outside periods of stress, 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 ultimately 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.

Consistent with the Basel standard, the MAS has implemented a minimum leverage ratio requirement of 3 per cent for Singapore-incorporated banks with effect from 1 January 2018. This requirement is to be met with Tier 1 capital and applies at both Bank Solo and Group levels.

In December 2017, the Basel Committee announced the substantially finalised changes to the Basel III framework. The revisions seek to reduce excessive variability in the calculation of risk-weighted assets and to improve the comparability of banks' capital ratios by:

- constraining the use of internal ratings-based approaches;
- enhancing the risk sensitivity of standardised approaches for credit and operational risks; and
- creating a robust output floor based on revised standardised approaches.

The revised standards will take effect from 1 January 2022, with the output floor phased in over five years, and will reach full implementation by 1 January 2027. We continue to monitor the development and its impact arising therefrom.

Capital Management

Capital Position as at 31 December 2017

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.
- Tier 2 Capital comprises subordinated notes and accounting provisions in excess of MAS Notice 637 expected loss.

As at 31 December 2017, the Group's CET1 CAR, Tier 1 CAR and Total CAR of 15.1 per cent, 16.2 per cent and 18.7 per cent were well above the regulatory minimum, while the Group's leverage ratio of 8.0 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 2017 and 31 December 2016.

	2017 \$ million	2016 \$ million
Common Equity Tier 1 Capital		
Share capital	4,792	4,257
Disclosed reserves/others	28,922	26,384
Regulatory adjustments	(3,580)	(2,685)
Common Equity Tier 1 Capital	30,134	27,956
Additional Tier 1 Capital		
Perpetual capital securities/others	2,976	2,096
Regulatory adjustments	(890)	(1,772)
Tier 1 Capital	32,220	28,280
Tier 2 Capital		
Subordinated notes	4,150	5,546
Provisions/others	983	1,122
Regulatory adjustments	(5)	(22)
Eligible Total Capital	37,348	34,926
Risk-Weighted Assets (RWA)		
Credit risk	176,238	179,160
Market risk	9,424	23,138
Operational risk	13,819	13,261
Total RWA	199,481	215,559
Capital Adequacy Ratios (%)		
CET1	15.1	13.0
Tier 1	16.2	13.1
Total	18.7	16.2
Fully-loaded CET1 (fully phased-in per Basel III rules)	14.7	12.1
Leverage Exposure	400,803	380,238
Leverage Ratio (%)	8.0	7.4

Our banking subsidiaries outside Singapore are also required to comply with the regulatory requirements in their respective countries of operation. As at 31 December 2017, the capital adequacy ratios of the Group's banking subsidiaries were above their respective local requirements.

	2017			
	Total Risk-Weighted Assets \$ million	Capital Adequacy Ratios		
		CET1 %	Tier 1 %	Total %
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

Disclosures under MAS Notice 637 are published on our UOB website at www.UOBgroup.com/investor/financial/overview.html.

Pillar 3 Disclosure

In compliance with the requirements under Basel Pillar 3 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 investment in associates is 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/financial/overview.html for the Pillar 3 Disclosure Report as at 31 December 2017.

Report Description	Location
Overview of Risk Management and RWA	
Risk management approach	UOB Annual Report 2017, Risk Management section – Our Approach
Overview of RWA	Pillar 3 Disclosure Report Section 6
Credit Risk	
General disclosures related to credit risk	UOB Annual Report 2017, Risk Management section – Credit Risk
Credit quality of assets	Pillar 3 Disclosure Report Section 7
Changes in stock of defaulted loans and debt securities	Pillar 3 Disclosure Report Section 8
Additional disclosures related to the credit quality of assets	UOB Annual Report 2017, Risk Management section – Credit Risk Pillar 3 Disclosure Report Section 9
Qualitative disclosure related to credit risk mitigation techniques	UOB Annual Report 2017, Risk Management section – Credit Risk
Qualitative disclosure on the use of external credit ratings under the Standardised Approach (SA) (Credit Risk) (CR)	UOB Annual Report 2017, Risk Management section – Credit Risk
SA(CR) and SA(Equity Exposures) (EQ) – Credit risk exposure and Credit Risk Mitigation (CRM) effects	Pillar 3 Disclosure Report Section 10

Report Description	Location
Credit Risk	
SA(CR) and SA(EQ) – Exposures by asset classes and risk weights	Pillar 3 Disclosure Report Section 11
Qualitative disclosure for Internal Ratings-Based Approach (IRBA) models	UOB Annual Report 2017, Risk Management section – Credit Risk
IRBA – Credit risk exposures by portfolio and PD range	Pillar 3 Disclosure Report Section 12
IRBA – Effect on RWA of credit derivatives used as CRM	Pillar 3 Disclosure Report Section 13
IRBA – Backtesting of PD per portfolio	Pillar 3 Disclosure Report Section 14
IRBA – Specialised Lending and Equities under the Simple Risk Weight Method	Pillar 3 Disclosure Report Section 15
Counterparty Credit Risk (CCR)	
Qualitative disclosures related to CCR	UOB Annual Report 2017, Risk Management section – Credit Risk
Analysis of CCR exposure by approach	Pillar 3 Disclosure Report Section 16
Credit Valuation Adjustment (CVA) risk capital requirements	Pillar 3 Disclosure Report Section 17
SA – CCR exposures by portfolio and risk weights	Pillar 3 Disclosure Report Section 18
IRBA – CCR exposures by portfolio and PD range	Pillar 3 Disclosure Report Section 19
Credit derivative exposures	Pillar 3 Disclosure Report Section 20
RWA flow statements of under CCR internal models method	Pillar 3 Disclosure Report Section 26
Securitisation	
Qualitative disclosures related to securitisation exposures	UOB Annual Report 2017, Risk Management section – Credit Risk
Securitisation exposures in the Banking Book	Pillar 3 Disclosure Report Section 21
Securitisation exposures in the Trading Book	Pillar 3 Disclosure Report Section 26
Securitisation exposures in the Banking Book and associated regulatory capital requirements – A reporting bank acting as originator or as sponsor	Pillar 3 Disclosure Report Section 26
Securitisation exposures in the Banking Book and associated regulatory capital requirements – A reporting bank acting as investor	Pillar 3 Disclosure Report Section 22

Pillar 3 Disclosure

Report Description	Location
Market Risk	
Qualitative disclosures related to market risk	UOB Annual Report 2017, Risk Management section – Market Risk
Qualitative disclosure related to Internal Model Approach (IMA)	Pillar 3 Disclosure Report Section 26
Market risk under SA	Pillar 3 Disclosure Report Section 23
RWA flow statements of market risk exposures under IMA	Pillar 3 Disclosure Report Section 26
IMA values for trading portfolios	Pillar 3 Disclosure Report Section 26
Comparison of VaR estimates with gains or losses	Pillar 3 Disclosure Report Section 24
Operational Risk	
Operational risk	UOB Annual Report 2017, Risk Management section – Operational Risk
Balance Sheet Risk	
Interest rate risk in the Banking Book	UOB Annual Report 2017, Risk Management section – Interest Rate Risk in the Banking Book Pillar 3 Disclosure Report Section 25
Remuneration	
Remuneration	UOB Annual Report 2017, Remuneration section
Capital	
Composition of capital	Pillar 3 Disclosure Report Section 3
Leverage ratio	Pillar 3 Disclosure Report Section 4
Geographical distribution of credit exposures used in the countercyclical capital buffer	Pillar 3 Disclosure Report Section 5
Public disclosure and submission requirements for assessing Global Systemically Important Banks (G-SIBs)	UOB's website, Investor Relations section*

* Will only be published in April 2018.

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

31 December 2017

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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".



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Notes:

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



Management Discussion and Analysis

Overview

	2017	2016	+/(-) %
Selected income statement items (\$ million)			
Net interest income	5,528	4,991	11
Fee and commission income	2,161	1,931	12
Other non-interest income	1,162	1,140	2
Total income	8,851	8,061	10
Less: Total expenses	4,027	3,696	9
Operating profit	4,824	4,365	11
Less: Total allowance	727	594	23
Add: Share of profit of associates and joint ventures	110	6	>100
Net profit before tax	4,207	3,777	11
Less: Tax and non-controlling interests	816	681	20
Net profit after tax ¹	3,390	3,096	9
Selected balance sheet items (\$ million)			
Net customer loans	232,212	221,734	5
Customer deposits	272,765	255,314	7
Total assets	358,592	340,028	5
Shareholders' equity ¹	36,850	32,873	12
Key financial ratios (%)			
Net interest margin	1.77	1.71	
Non-interest income/Total income	37.5	38.1	
Expense/Income ratio	45.5	45.9	
Overseas profit before tax contribution	40.8	37.4	
Credit costs (bp)			
Exclude general allowance	61	45	
Include general allowance	28	32	
Non-performing loans ratio ²	1.8	1.5	
Return on average ordinary shareholders' equity ³	10.2	10.2	
Return on average total assets	0.98	0.95	
Return on average risk-weighted assets	1.63	1.51	
Loan/Deposit ratio ⁴	85.1	86.8	
Liquidity coverage ratios (LCR) ⁵			
All-currency	147	154	
Singapore dollar	200	221	
Capital adequacy ratios			
Common Equity Tier 1	15.1	13.0	
Tier 1	16.2	13.1	
Total	18.7	16.2	
Leverage ratio ⁶	8.0	7.4	
Earnings per ordinary share (\$) ³			
Basic	1.99	1.86	
Diluted	1.98	1.85	
Net asset value (NAV) per ordinary share (\$) ⁷	20.37	18.82	
Revalued NAV per ordinary share (\$) ⁷	23.19	21.54	

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 preference share dividend and perpetual capital securities distributions.

4 Refers to net customer loans and customer deposits.

5 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.

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

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

Management Discussion and Analysis

Performance Review

The Group reported 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 the fourth quarter of 2017, thereby reducing lingering credit risks to the Group. Total allowances amounted to \$727 million, as excess general allowance of \$747 million was reversed.

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 Singapore Financial Reporting Standard (International) 9 Financial Instruments (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.

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 to \$4.39 billion. Consequently, the 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 for the year were 200% and 147% respectively, well above the corresponding regulatory requirements of 100% and 80%.

Shareholders' equity increased 12% from a year ago 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 \$ million	Interest \$ million	Average rate %	Average balance \$ million	Interest \$ million	Average rate %
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 Margin¹			1.77			1.71

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

Volume and Rate Analysis

	2017 vs 2016			2016 vs 2015		
	Volume change \$ million	Rate change \$ million	Net change \$ million	Volume change \$ million	Rate change \$ million	Net change \$ million
Interest Income						
Customer loans	490	(133)	356	422	21	443
Interbank balances	118	242	360	(32)	41	10
Securities	(64)	133	69	76	(64)	12
Total	544	242	786	467	(2)	464
Interest Expense						
Customer deposits	139	1	140	135	184	318
Interbank balances/others	56	53	108	28	54	82
Total	195	54	249	162	238	400
Net Interest Income	349	189	537	304	(240)	64

Net interest income rose 11% to \$5.53 billion on the back of a 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.

Management Discussion and Analysis

Non-Interest Income

	2017 \$ million	2016 \$ million	+/(–) %
Fee and Commission Income			
Credit card	404	368	10
Fund management	239	188	28
Wealth management	547	403	36
Loan-related ¹	471	482	(2)
Service charges	148	134	11
Trade-related ²	272	263	3
Others	80	93	(14)
	2,161	1,931	12
Other Non-Interest Income			
Net trading income	775	776	(0)
Net gain from investment securities	127	101	26
Dividend income	23	31	(25)
Rental income	119	118	1
Other income	117	114	3
	1,162	1,140	2
Total	3,323	3,071	8

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

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

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.

Operating Expenses

	2017 \$ million	2016 \$ million	+/(–) %
Staff Costs	2,224	2,050	8
Other Operating Expenses			
Revenue-related	889	826	8
Occupancy-related	332	324	3
IT-related	365	286	28
Others	217	210	3
	1,803	1,646	10
Total	4,027	3,696	9

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. Expense-to-income ratio declined to 45.5%, due to a combination of strong revenue momentum and continued cost discipline.

Allowance for Credit and Other Losses

	2017 \$ million	2016 \$ million	+/(–) %
Specific Allowance on Loans¹			
Singapore	733	516	42
Malaysia	177	57	>100
Thailand	131	88	49
Indonesia	258	125	>100
Greater China ²	39	168	(77)
Others	68	15	>100
	1,407	969	45
Specific Allowance on Securities and Others	68	22	>100
General Allowance	(747)	(398)	(88)
Total	727	594	23

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 Comprises China, Hong Kong and Taiwan.

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 decision was taken to accelerate the recognition of these residual vulnerable exposures as NPA in the fourth quarter of 2017, 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.

Management Discussion and Analysis

Customer Loans

	2017 \$ million	2016 \$ million
Gross customer loans	236,028	225,662
Less: Specific allowance	1,855	1,219
General allowance	1,961	2,709
Net customer loans	232,212	221,734
By Industry		
Transport, storage and communication	9,388	9,780
Building and construction	53,646	52,281
Manufacturing	18,615	15,747
Financial institutions, investment and holding companies	19,090	15,519
General commerce	30,664	30,269
Professionals and private individuals	28,182	26,950
Housing loans	65,569	61,451
Others	10,874	13,665
Total (gross)	236,028	225,662
By Currency		
Singapore dollar	115,750	112,160
US dollar	44,507	45,079
Malaysian ringgit	24,000	22,993
Thai baht	14,006	12,423
Indonesian rupiah	4,853	5,401
Others	32,912	27,606
Total (gross)	236,028	225,662
By Maturity ¹		
Within 1 year	92,969	80,940
Over 1 year but within 3 years	42,828	43,665
Over 3 years but within 5 years	24,851	27,655
Over 5 years	75,379	73,402
Total (gross)	236,028	225,662
By Geography ²		
Singapore	127,602	125,529
Malaysia	26,948	25,767
Thailand	14,977	13,226
Indonesia	10,718	11,857
Greater China	32,301	27,232
Others	23,482	22,051
Total (gross)	236,028	225,662

¹ Certain comparative figures have been restated to conform with the current year'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).

As at 31 December 2017, gross loans rose 5% to \$236 billion driven by broad-based increase across most territories and industries.

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

Non-Performing Assets

	2017 \$ million	2016 \$ million
Non-Performing Assets (NPA)		
Loans (NPL)	4,211	3,328
Debt securities and others	178	152
Total	4,389	3,480
By Grading		
Substandard	2,411	2,185
Doubtful	128	270
Loss	1,850	1,025
Total	4,389	3,480
By Security		
Secured by collateral type:		
Properties	1,771	1,177
Shares and debentures	8	39
Fixed deposits	12	11
Others ¹	467	613
	2,258	1,840
Unsecured	2,131	1,640
Total	4,389	3,480
By Ageing		
Current	936	343
Within 90 days	600	285
Over 90 to 180 days	735	646
Over 180 days	2,118	2,206
Total	4,389	3,480
Total Allowance		
Specific	2,014	1,322
General	1,976	2,724
Total	3,990	4,046
As a % of NPA	91%	116%
As a % of unsecured NPA	187%	247%

	2017		2016	
	NPL \$ million	NPL ratio %	NPL \$ million	NPL ratio %
NPL by Industry				
Transport, storage and communication	1,209	12.9	965	9.9
Building and construction	428	0.8	210	0.4
Manufacturing	638	3.4	316	2.0
Financial institutions, investment and holding companies	92	0.5	76	0.5
General commerce	485	1.6	451	1.5
Professionals and private individuals	295	1.0	284	1.1
Housing loans	677	1.0	618	1.0
Others	387	3.6	408	3.0
Total	4,211	1.8	3,328	1.5

¹ Comprise mainly of shipping vessels.

Management Discussion and Analysis

Non-Performing Assets (continued)

	NPA/NPL \$ million	NPL ratio %	Specific allowance \$ million	Total allowance	
				as a % of NPA/NPL %	as a % of unsecured NPA/NPL %
NPL by Geography¹					
Singapore					
2017	2,058	1.6	934	97	207
2016	1,291	1.0	468	180	387
Malaysia					
2017	585	2.2	220	107	249
2016	487	1.9	82	104	377
Thailand					
2017	439	2.9	157	94	244
2016	360	2.7	134	106	268
Indonesia					
2017	694	6.5	312	59	132
2016	638	5.4	208	45	134
Greater China					
2017	132	0.4	76	151	262
2016	307	1.1	230	107	140
Others					
2017	303	1.3	156	55	90
2016	245	1.1	97	44	62
Group NPL					
2017	4,211	1.8	1,855	91	195
2016	3,328	1.5	1,219	118	262
Debt securities and others					
2017	178		159	98	101
2016	152		103	78	82
Group NPA					
2017	4,389		2,014	91	187
2016	3,480		1,322	116	247

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).

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 to \$4.39 billion.

Consequently, 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.

Customer Deposits

	2017 \$ million	2016 \$ million
By Product		
Fixed deposits	139,257	133,966
Savings deposits	66,404	61,951
Current accounts	57,570	51,690
Others	9,534	7,707
Total	272,765	255,314
By Maturity		
Within 1 year	268,233	249,750
Over 1 year but within 3 years	2,545	3,589
Over 3 years but within 5 years	1,174	978
Over 5 years	813	997
Total	272,765	255,314
By Currency		
Singapore dollar	123,806	122,736
US dollar	67,739	59,425
Malaysian ringgit	26,475	25,295
Thai baht	15,317	13,049
Indonesian rupiah	5,119	5,741
Others	34,308	29,068
Total	272,765	255,314
Group Loan/Deposit ratio (%)	85.1	86.8
SGD Loan/Deposit ratio (%)	92.3	89.7
USD Loan/Deposit ratio (%)	63.9	74.6

Customer deposits grew to \$273 billion as at 31 December 2017, an increase of 7% year-on-year 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

	2017 \$ million	2016 \$ million
Unsecured		
Subordinated debts	4,827	5,926
Commercial papers	13,674	14,364
Fixed and floating rate notes	2,630	3,408
Others	1,801	1,687
Secured		
Covered bonds	2,247	758
Total	25,178	26,143
Due within 1 year	14,807	16,172
Due after 1 year	10,371	9,971
Total	25,178	26,143

Management Discussion and Analysis

Shareholders' Equity

	2017	2016
	\$ million	\$ million
Shareholders' equity	36,850	32,873
Add: Revaluation surplus	4,679	4,456
Shareholders' equity including revaluation surplus	41,529	37,329

Shareholders' equity rose 12% from a year ago 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.

Performance by Business Segment ^{1,2}

	GR	GWB	GM	Others	Total
	\$ million				
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 year					<u>3,407</u>
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 year					<u>3,108</u>

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

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

Performance by Business Segment (continued)

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)

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.

Group Wholesale Banking (GWB)

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.

Global Markets (GM)

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 due to staff related costs.

Others

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 general allowance.

Management Discussion and Analysis

Performance by Geographical Segment ¹

	Total operating income		Profit before tax		Total assets	
	2017	2016	2017	2016	2017	2016
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Singapore	5,090	4,590	2,491	2,364	217,979	210,937
Malaysia	1,014	986	581	548	35,373	33,845
Thailand	933	830	218	193	20,988	18,031
Indonesia	468	476	29	71	9,105	9,840
Greater China	757	648	419	300	46,298	40,233
Others	589	531	469	301	24,707	22,991
	8,851	8,061	4,207	3,777	354,450	335,877
Intangible assets	–	–	–	–	4,142	4,151
Total	8,851	8,061	4,207	3,777	358,592	340,028

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

Total operating income registered a growth of 10% to \$8.85 billion led by the growth in Singapore, Thailand and Greater China.

Profit before tax for 2017 grew 11% to \$4.21 billion driven by broad-based growth across most of the geographical segments.

Capital Adequacy Ratios

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

Higher total capital was mainly due to an increase in retained earnings over the year, 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.

Directors' Statement

for the financial year ended 31 December 2017

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 2017.

Opinion of the Directors

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 2017, 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 at the date of this report are:

Hsieh Fu Hua (*Chairman*)
Wee Cho Yaw (*Chairman Emeritus and Adviser*)
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 (*appointed on 27 July 2017*)
Michael Lien Jown Leam (*appointed on 27 July 2017*)
Wong Kan Seng (*appointed on 27 July 2017*)
Alvin Yeo Khirn Hai (*appointed on 27 July 2017*)

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 31.12.2017	At 1.1.2017 or date of appointment	At 31.12.2017	At 1.1.2017 or date of appointment
The Bank				
Ordinary shares				
Hsieh Fu Hua	–	–	26,659	25,811
Wee Cho Yaw	21,136,589	20,567,244	283,788,114	278,781,769
Wee Ee Cheong	3,356,455	3,297,243	169,683,878	166,690,461
Willie Cheng Jue Hiang	–	–	51,373	50,467
James Koh Cher Siang	3,900	3,900	–	–
Alvin Yeo Khirn Hai (<i>appointed on 27 July 2017</i>)	–	–	5,988	5,902
United Overseas Insurance Limited				
Ordinary shares				
Wee Cho Yaw	38,100	38,100	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2018.

Directors' Statement

for the financial year ended 31 December 2017

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 2017 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 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 2017 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
Hsieh Fu Hua	–	955	10	–	–	11	976
Wee Cho Yaw ⁽¹⁾	800	315	219	–	–	8	1,342
Wee Ee Cheong ⁽²⁾	–	–	–	1,200	8,140	35	9,375
Wong Meng Meng (retired on 20 April 2017)	–	88	–	–	–	–	88
Franklin Leo Lavin	–	203	5	–	–	–	208
Willie Cheng Jue Hiang	–	205	–	–	–	–	205
James Koh Cher Siang	–	218	–	–	–	–	218
Ong Yew Huat	–	285	80	–	–	–	365
Lim Hwee Hua	–	220	–	–	–	–	220
Alexander Charles Hungate ⁽³⁾	–	88	–	–	–	–	88
Michael Lien Jown Leam ⁽³⁾	–	88	–	–	–	–	88
Wong Kan Seng ⁽³⁾	–	158	–	–	–	–	158
Alvin Yeo Khirn Hai ⁽³⁾	–	100	–	–	–	–	100

(1) The advisory fee of \$800,000 recommended by the Remuneration Committee for Dr Wee Cho Yaw is subject to shareholders' approval at the Annual General Meeting to be held on 20 April 2018.

(2) 60% of the variable pay to Mr Wee Ee Cheong will be deferred and vested over the next three years, subject to predetermined performance conditions. Of the deferred variable pay, 40% will be issued in deferred cash, while the remaining 60% will be in the form of share-linked performance units.

(3) Appointed on 27 July 2017.

(4) Fees from subsidiaries payable to Mr Wee Ee Cheong were paid to the Bank.

(5) Includes transport-related benefits and provision of drivers for Mr Hsieh Fu Hua, Dr Wee Cho Yaw and Mr Wee Ee Cheong.

Share-Based Compensation Plans

The share-based compensation plans, which are administered by the Remuneration Committee, comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Details of these plans are found below and in Note 40 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 Remuneration Committee 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.

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.

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.

For grants made in the years 2014 to 2016, 30 per cent of the award granted will vest after two years, subject to the achievement of the two-year return on equity (ROE) targets. The remaining 70 per cent will vest after three years, subject to the achievement of three-year ROE targets. The vesting levels are shown below:

<u>Percentage of ROE target achieved</u>	<u>Percentage of award to be vested for grants made in 2014 to 2016*</u>
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

* 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. From the 2017 grant onwards, the vesting of the first and second tranche 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 Committee.

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the Remuneration Committee.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the Plans shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plans only allow the delivery of UOB ordinary shares held in treasury by the Bank.

Directors' Statement

for the financial year ended 31 December 2017

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 (*appointed on 1 August 2017*)

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,

Hsieh Fu Hua
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
13 February 2018

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 169 to 258, 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.

Independent Auditor's Report

for the financial year ended 31 December 2017

Areas of focus	How our audit addressed the risk factors
<p>Impairment of Loans to Customers <i>Refer to Notes 2r(i) and 25a to the consolidated financial statements on pages 184 and 211 respectively.</i></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 portfolios. Portfolios are monitored through historical delinquency statistics, which drive the allowance for impairment assessment.</p>	<p>Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>We have designed the following procedures for specific allowances in response to the risks specific to the business units.</p> <p><i>Group Wholesale Banking</i> 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Areas of focus	How our audit addressed the risk factors
<p>Impairment of Loans to Customers (continued)</p>	<p><i>Group Retail</i></p> <p>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.</p> <p>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.</p> <p>Where lending is secured by collateral, the allowance for impairment is 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.</p> <p>With respect to the Group's general allowances, we re-computed management's calculation to assess that the Group's general allowances met the minimum requirements of the transitional provisions set out in MAS Notice 612.</p> <p>Overall, the results of our evaluation of the Group's allowance for impairment of loans are consistent with management's assessment.</p> <p>We have also obtained an understanding of the Group's implementation process of the Singapore Financial Reporting Standards 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.</p>
<p>Valuation of Illiquid or Complex Financial Instruments Refer to Notes 2r(ii) and 18b to the consolidated financial statements on pages 184 and 200 to 201 respectively.</p> <p>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.</p> <p>In particular, the determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>

Independent Auditor's Report

for the financial year ended 31 December 2017

Areas of focus	How our audit addressed the risk factors
<p>Impairment of Goodwill <i>Refer to Notes 2r(iii) and 34b to the consolidated financial statements on pages 184 and 226 respectively.</i></p> <p>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.</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 judgements and assumptions about the future cash flows of the CGUs and the discount rates applied.</p>	<p>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.</p> <p>We assessed the cash flow projections by reviewing the historical achievement of the projections and considered the reasons for significant deviations.</p> <p>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.</p> <p>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.</p> <p>The assumptions used by management in its goodwill impairment tests are consistent with our 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 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.

Independent Auditor's Report

for the financial year ended 31 December 2017

- 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

Income Statements

for the financial year ended 31 December 2017

	Note	The Group		The Bank	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest income	3	9,076,548	8,290,547	5,795,642	5,101,698
Less: Interest expense	4	3,548,481	3,299,797	2,128,596	1,866,310
Net interest income		5,528,067	4,990,750	3,667,046	3,235,388
Fee and commission income	5	2,161,452	1,930,612	1,470,457	1,254,942
Dividend income		22,807	30,600	170,955	194,714
Rental income		119,425	118,478	101,020	102,422
Net trading income	6	775,085	776,085	598,666	642,026
Net gain from investment securities	7	126,962	100,589	106,811	80,236
Other income	8	117,472	114,142	144,623	136,990
Non-interest income		3,323,203	3,070,506	2,592,532	2,411,330
Total operating income		8,851,270	8,061,256	6,259,578	5,646,718
Less: Staff costs	9	2,224,048	2,050,014	1,347,446	1,171,070
Other operating expenses	10	1,803,183	1,646,484	1,157,172	1,079,869
Total operating expenses		4,027,231	3,696,498	2,504,618	2,250,939
Operating profit before allowance		4,824,039	4,364,758	3,754,960	3,395,779
Less: Allowance for credit and other losses	11	727,438	593,768	329,182	456,398
Operating profit after allowance		4,096,601	3,770,990	3,425,778	2,939,381
Share of profit of associates and joint ventures		110,168	5,929	–	–
Profit before tax		4,206,769	3,776,919	3,425,778	2,939,381
Less: Tax	12	800,113	668,969	580,835	454,556
Profit for the financial year		3,406,656	3,107,950	2,844,943	2,484,825
Attributable to:					
Equity holders of the Bank		3,390,291	3,096,289	2,844,943	2,484,825
Non-controlling interests		16,365	11,661	–	–
		3,406,656	3,107,950	2,844,943	2,484,825
Earnings per share (\$)	13				
Basic		1.99	1.86		
Diluted		1.98	1.85		

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 2017

	The Group		The Bank	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Profit for the financial year	3,406,656	3,107,950	2,844,943	2,484,825
Other Comprehensive Income ⁽¹⁾				
Currency translation adjustments	(65,502)	108,745	(31,198)	7,708
Change in available-for-sale/other reserves				
Change in fair value	588,909	(227,542)	506,730	(241,252)
Transfer to income statement on disposal/impairment	(61,357)	(155,146)	(51,716)	(140,105)
Tax relating to available-for-sale	(18,164)	23,929	(7,790)	23,312
Change in shares of other comprehensive income of associates and joint ventures	(2,924)	(5,260)	–	–
Remeasurement of defined benefit obligation	(7,214)	3,706	(28)	–
Other comprehensive income for the financial year, net of tax	433,748	(251,568)	415,998	(350,337)
Total comprehensive income for the financial year, net of tax	3,840,404	2,856,382	3,260,941	2,134,488
Attributable to:				
Equity holders of the Bank	3,817,251	2,839,675	3,260,941	2,134,488
Non-controlling interests	23,153	16,707	–	–
	3,840,404	2,856,382	3,260,941	2,134,488

(1) Other Comprehensive Income will be reclassified subsequently to income statement when specific conditions are met, except for the remeasurement of defined benefit obligation.

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2017

	Note	The Group		The Bank	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Equity					
Share capital and other capital	14	7,765,643	6,351,013	7,765,643	6,351,013
Retained earnings	15	19,707,178	17,333,616	14,700,659	13,030,819
Other reserves	16	9,377,113	9,188,560	10,045,371	9,625,481
Equity attributable to equity holders of the Bank		36,849,934	32,873,189	32,511,673	29,007,313
Non-controlling interests		186,661	168,599	–	–
Total equity		37,036,595	33,041,788	32,511,673	29,007,313
Liabilities					
Deposits and balances of:					
Banks		11,440,486	11,855,222	10,870,278	10,618,314
Customers	19	272,765,121	255,313,873	215,212,366	199,665,008
Subsidiaries		–	–	6,505,068	7,239,191
Bills and drafts payable		702,330	521,720	492,388	323,813
Derivative financial liabilities	36	5,530,748	6,837,108	4,042,662	5,961,059
Other liabilities	20	5,210,274	5,665,659	2,805,526	2,590,168
Tax payable		550,424	417,406	471,813	354,586
Deferred tax liabilities	21	177,984	231,908	114,103	89,214
Debts issued	22	25,178,401	26,142,949	23,889,753	25,014,644
Total liabilities		321,555,768	306,985,845	264,403,957	251,855,997
Total equity and liabilities		358,592,363	340,027,633	296,915,630	280,863,310
Assets					
Cash, balances and placements with central banks	23	26,624,969	24,322,115	19,960,207	16,572,831
Singapore Government treasury bills and securities		4,267,179	6,876,831	4,267,179	6,876,831
Other government treasury bills and securities		11,708,818	10,638,470	6,236,365	5,257,286
Trading securities	24	1,765,963	3,127,350	1,502,318	2,977,205
Placements and balances with banks		52,181,025	40,032,875	42,771,530	33,730,816
Loans to customers	25	232,211,746	221,733,669	180,520,561	172,655,915
Placements with and advances to subsidiaries		–	–	12,485,109	9,440,101
Derivative financial assets	36	5,780,915	6,981,546	4,283,098	6,184,579
Investment securities	27	11,272,880	11,639,689	10,495,021	10,991,626
Other assets	28	4,190,098	6,174,231	2,547,325	4,361,437
Deferred tax assets	21	193,257	251,094	47,299	42,375
Investment in associates and joint ventures	29	1,194,440	1,108,925	337,985	332,639
Investment in subsidiaries	30	–	–	5,743,730	5,785,706
Investment properties	32	1,088,309	1,104,910	1,118,762	1,161,937
Fixed assets	33	1,970,845	1,884,883	1,417,322	1,310,207
Intangible assets	34	4,141,919	4,151,045	3,181,819	3,181,819
Total assets		358,592,363	340,027,633	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 2017

	The Group						
	Attributable to equity holders of the Bank					Non-controlling interests \$'000	Total equity \$'000
	Share capital and other capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total \$'000			
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	
2016							
Balance at 1 January	5,881,252	15,463,194	9,423,960	30,768,406	155,367	30,923,773	
Profit for the financial year	–	3,096,289	–	3,096,289	11,661	3,107,950	
Other comprehensive income for the financial year	–	3,706	(260,320)	(256,614)	5,046	(251,568)	
Total comprehensive income for the financial year	–	3,099,995	(260,320)	2,839,675	16,707	2,856,382	
Transfers	–	(5,915)	5,915	–	–	–	
Change in non-controlling interests	–	–	–	–	2,260	2,260	
Dividends	–	(1,226,187)	–	(1,226,187)	(5,735)	(1,231,922)	
Shares issued under scrip dividend scheme	533,094	–	–	533,094	–	533,094	
Share-based compensation	–	–	41,260	41,260	–	41,260	
Reclassification of share-based compensation reserves on expiry	–	2,529	(2,529)	–	–	–	
Shares issued under share-based compensation plans	19,726	–	(19,726)	–	–	–	
Perpetual capital securities issued	748,491	–	–	748,491	–	748,491	
Redemption of preference shares	(831,550)	–	–	(831,550)	–	(831,550)	
Balance at 31 December	6,351,013	17,333,616	9,188,560	32,873,189	168,599	33,041,788	
	Note	14	15	16			

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 2017

	The Bank			
	Share capital and other capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
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
2016				
Balance at 1 January	5,049,702	11,734,720	9,971,362	26,755,784
Profit for the financial year	–	2,484,825	–	2,484,825
Other comprehensive income for the financial year	–	–	(350,337)	(350,337)
Total comprehensive income for the financial year	–	2,484,825	(350,337)	2,134,488
Transfers	–	14,549	(14,549)	–
Dividends	–	(1,205,804)	–	(1,205,804)
Shares issued under scrip dividend scheme	533,094	–	–	533,094
Share-based compensation	–	–	41,260	41,260
Reclassification of share-based compensation reserves on expiry	–	2,529	(2,529)	–
Shares issued under share-based compensation plans	19,726	–	(19,726)	–
Perpetual capital securities issued	748,491	–	–	748,491
Balance at 31 December	6,351,013	13,030,819	9,625,481	29,007,313
	Note	14	15	16

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2017

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Profit for the financial year	3,406,656	3,107,950
Adjustments for:		
Allowance for credit and other losses	727,438	593,768
Share of profit of associates and joint ventures	(110,168)	(5,929)
Tax	800,113	668,969
Depreciation of assets	258,271	221,704
Net gain on disposal of assets	(199,638)	(191,887)
Share-based compensation	40,679	41,113
Operating profit before working capital changes	4,923,351	4,435,688
Change in working capital		
Deposits and balances of banks	(351,437)	(131,115)
Deposits and balances of customers	18,538,858	14,789,400
Bills and drafts payable	177,261	87,179
Other liabilities	(211,792)	1,582,084
Restricted balances with central banks	272,431	(843,644)
Government treasury bills and securities	1,478,531	1,996,646
Trading securities	1,429,224	(1,758,829)
Placements and balances with banks	(12,662,442)	(11,386,817)
Loans to customers	(12,907,167)	(18,815,376)
Investment securities	986,496	(1,307,107)
Other assets	2,897,367	(1,339,085)
Cash generated from/(used in) operations	4,570,681	(12,690,976)
Income tax paid	(661,739)	(622,507)
Net cash provided by/(used in) operating activities	3,908,942	(13,313,483)
Cash flows from investing activities		
Capital injection into associates and joint ventures	(47,907)	(33,990)
Acquisition of associates and joint ventures	(151)	(46,679)
Distribution from associates and joint ventures	43,402	59,337
Acquisition of properties and other fixed assets	(349,393)	(382,854)
Proceeds from disposal of properties and other fixed assets	12,640	22,307
Change in non-controlling interests	494	–
Net cash used in investing activities	(340,915)	(381,879)
Cash flows from financing activities		
Perpetual capital securities issued	879,488	748,491
Redemption of preference shares	–	(689,375)
Issuance of debts issued (Note 22)	44,601,355	34,373,522
Redemption of debts issued (Note 22)	(45,066,986)	(28,694,101)
Change in non-controlling interests	70	2,260
Dividends paid on ordinary shares	(664,981)	(912,472)
Dividends paid on preference shares	–	(19,552)
Distribution for perpetual capital securities	(95,400)	(80,703)
Dividends paid to non-controlling interests	(5,655)	(5,735)
Net cash (used in)/provided by financing activities	(352,109)	4,722,335
Currency translation adjustments	(641,456)	145,983
Net increase/(decrease) in cash and cash equivalents	2,574,462	(8,827,044)
Cash and cash equivalents at beginning of the financial year	18,400,820	27,227,864
Cash and cash equivalents at end of the financial year (Note 39)	20,975,282	18,400,820

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 2017

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 30b 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 (FRS) as required by the Singapore Companies Act, 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 amendments to FRS during the financial year which had no significant effect 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, the accounting policies applied by the Group in the financial year were consistent with those adopted in the previous financial year.

(ii) New Financial Reporting Framework

Singapore listed companies are required to apply a new Singapore financial reporting framework, referred to as the Singapore Financial Reporting Standards (International) (SFRS(I)), that is identical to the International Financial Reporting Standards (IFRS) with effect from 1 January 2018. The impact of adopting the new framework is expected to be similar to that as disclosed in Note 2b(iii).

(iii) Changes Subsequent to the Financial Year

The following new financial reporting standards (equivalent to 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 2018:

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts with Customers
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Amendments to FRS 40: Transfers of Investment Property
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

Effective for the financial year beginning on or after 1 January 2019:

- FRS 116 Leases
- INT FRS 123 Uncertainty over Income Tax Treatments
- Amendments to FRS 109: Prepayment Features with Negative Compensation
- Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures

Notes to the Financial Statements

for the financial year ended 31 December 2017

2. Summary of Significant Accounting Policies (continued)

(b) Changes in Accounting Policies (continued)

(iii) *Changes Subsequent to the Financial Year (continued)*

Effective for a financial year beginning on or after a date to be determined:

- Amendments to FRS 110 and FRS 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:

FRS 109 Financial Instruments

The Group set up a project team comprising representatives from business, finance, risk, technology and operations in 2014 to drive the implementation of FRS 109.

Under FRS 109, debt assets are classified and measured based on their business models and cash flow characteristics. Non-trading equity assets are classified as fair value through profit or loss unless they are elected at inception to be at fair value through other comprehensive income with only dividend income recognised in profit or loss. For financial liabilities designated to be measured at fair value through profit or loss, changes in fair value that are attributable to own credit risk are taken to other comprehensive income. However, if it is assessed at inception that this would create an accounting mismatch, such fair value changes are taken to profit or loss.

FRS 109 requires credit loss allowance to be 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, otherwise, lifetime ECL is required. Lifetime ECL is also required for purchased or originated credit-impaired assets. Profit or loss is expected to be more volatile with the point-in-time ECL requirement. The Group is leveraging existing credit risk models and systems with necessary modifications to comply with FRS 109 ECL requirements. From 1 January 2018, MAS Notice 612 Credit Files, Grading and Provisioning will require a Minimum Regulatory Loss Allowance (MRLA) equivalent to 1% of the gross carrying amount of selected credit exposures net of collateral to be maintained, through an appropriation of retained earnings to non-distributable reserves, if required.

Hedge accounting is more closely aligned with risk management under FRS 109. The 80% to 125% bright-line hedge effectiveness requirement is removed and the hedge ratio can be rebalanced without terminating a hedging relationship.

Transition Impact

The overall transition impact of FRS 109 on the Group's financial statements is expected to increase retained earnings by approximately \$0.2 billion. This transition impact is based on best estimates as at the reporting date and focuses on material items only. Restatement of comparatives is not required.

Classification and measurement of the Group's financial instruments under FRS 109 are expected to result in a net decrease in the fair value reserve and a corresponding increase in retained earnings by approximately \$0.2 billion. Significant changes are estimated as follows:

- \$0.7 billion of equity securities classified as available-for-sale are expected to be classified as fair value through profit or loss.
- \$0.2 billion of debt securities classified as available-for-sale are expected to be classified as amortised cost.

The impact on the Group's financial statements on transition to FRS 109 ECL requirements is not expected to be significant.

The changes to hedge accounting are also not expected to have a significant impact on the Group's financial statements on transition to FRS 109.

2. Summary of Significant Accounting Policies (continued)

(b) Changes in Accounting Policies (continued)

(iii) *Changes Subsequent to the Financial Year (continued)*

FRS 115 Revenue from Contracts with Customers

FRS 115 requires revenue to be recognised when control of a good or service is transferred. Control is transferred when the transferee is able to direct the use of, and obtain substantially all of the remaining benefits from, the good or service. The amount of revenue recognised represents the consideration to which an entity expects to be entitled in exchange for the good or service transferred. Subject to meeting the specified criteria, costs of obtaining and fulfilling a contract are recognised as assets and amortised over the contractual terms. Adoption of the Standard is not expected to have a significant impact on the Group's financial statements.

FRS 116 Leases

FRS 116 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 FRS as listed above is not expected to have any 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).

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.

Notes to the Financial Statements

for the financial year ended 31 December 2017

2. Summary of Significant Accounting Policies (continued)

(c) Interests in Other Entities (continued)

(ii) *Associates and Joint Ventures (continued)*

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.

(d) Financial Assets and Financial Liabilities

(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.

2. Summary of Significant Accounting Policies (continued)

(d) Financial Assets and Financial Liabilities (continued)

(i) *Classification (continued)*

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.

(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.

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. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the accumulated gain or loss that has been recognised in equity are taken to the income statement.

Notes to the Financial Statements

for the financial year ended 31 December 2017

2. Summary of Significant Accounting Policies (continued)

(d) Financial Assets and Financial Liabilities (continued)

(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) *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.

(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-derivative 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 fair value through profit or loss.

(f) Hedge Accounting

(i) *Fair Value Hedge*

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.

2. Summary of Significant Accounting Policies (continued)

(f) Hedge Accounting (continued)

(ii) *Cash Flow Hedge*

Fair value changes of the hedging instrument relating to the effective portion of the hedge are taken to the hedge reserve under equity while those relating to the ineffective portion are recognised in the income statement. The amount in the hedge reserve is transferred to the income statement (a) at the same time as the cash flow of the hedged item is recognised in the income statement and (b) immediately when the forecasted hedge item is no longer expected to occur.

(iii) *Hedge of Net Investment in a Foreign Operation*

Fair value changes of the hedging instrument relating to the effective portion of the hedge are 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.

(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 42a. 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.

Notes to the Financial Statements

for the financial year ended 31 December 2017

2. Summary of Significant Accounting Policies (continued)

(h) Intangible Assets (continued)

(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 ruling 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.

(ii) *Foreign Operations*

Income and expenses of foreign operations are translated into Singapore Dollars at the weighted average exchange rate for the financial year 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 ruling 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.

2. Summary of Significant Accounting Policies (continued)

(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. At each balance sheet date, provisions are reviewed and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(l) Undrawn Credit Facilities

Undrawn credit facilities (both revocable and irrevocable) are recorded under commitments and the amount is adjusted for subsequent drawdowns.

(m) Contingent Liabilities

Contracts on financial and performance guarantees and letters of credit are recorded under contingent liabilities. These liabilities are recognised initially at their fair value which is generally the fees received. The fees are amortised 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.

(n) 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 services are rendered. 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.

Notes to the Financial Statements

for the financial year ended 31 December 2017

2. Summary of Significant Accounting Policies (continued)

(o) Employee Compensation/Benefits

Base pay, cash bonuses, allowance, 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.

(p) 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.

(q) Treasury Shares

Ordinary shares 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.

(r) 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). Identifying and providing for specific allowance require management's experience and significant judgement. The process involves assessing various factors such as economic outlook, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral. General allowance is determined based on management's assessment of the country and portfolio risk, historical loss experiences and economic indicators.

(ii) 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.

(iii) Goodwill

Goodwill is reviewed for impairment in accordance with Notes 2h(i) and 34b. The process requires management's assessment of key factors such as future economic growth, business forecasts and discount rates.

(iv) 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.

3. Interest Income

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Loans to customers	7,474,221	7,117,745	4,659,141	4,356,079
Placements and balances with banks	997,042	636,824	722,647	369,945
Government treasury bills and securities	313,212	277,956	141,147	136,993
Trading and investment securities	292,073	258,022	272,707	238,681
	9,076,548	8,290,547	5,795,642	5,101,698

Of which, interest income on:

Impaired financial assets	13,295	15,140	8,247	12,626
Financial assets at fair value through profit or loss	131,941	69,139	92,362	42,448

4. Interest Expense

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Deposits of customers	3,017,785	2,877,570	1,659,851	1,489,019
Deposits and balances of banks and debts issued	530,696	422,227	468,745	377,291
	3,548,481	3,299,797	2,128,596	1,866,310

Of which, interest expense on financial liabilities at fair value through profit or loss

	28,136	22,844	26,121	20,038
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5. Fee and Commission Income

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Credit card ⁽¹⁾	403,636	367,856	292,914	264,123
Fund management	239,314	187,623	5,422	3,089
Wealth management	547,196	402,930	463,787	309,317
Loan-related ⁽²⁾	471,390	481,792	386,535	382,779
Service charges	147,763	133,707	119,113	102,169
Trade-related ⁽³⁾	272,281	263,426	175,997	165,716
Others	79,872	93,278	26,689	27,749
	2,161,452	1,930,612	1,470,457	1,254,942

Of which, fee and commission from:

Financial assets not measured at fair value through profit or loss	374,916	395,171	309,555	319,002
Provision of trust and other fiduciary services	11,845	11,554	10,373	9,435

(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.

Notes to the Financial Statements

for the financial year ended 31 December 2017

6. Net Trading Income

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) from:				
Foreign exchange	432,139	513,365	400,690	380,595
Interest rate and others	369,839	182,965	225,405	169,543
Financial assets designated as fair value through profit or loss	7,533	(2,574)	–	520
Financial liabilities designated as fair value through profit or loss	(34,426)	82,329	(27,429)	91,368
	775,085	776,085	598,666	642,026

7. Net Gain from Investment Securities

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Available-for-sale	126,620	99,769	102,638	72,624
Loans and receivables	342	820	4,173	7,612
	126,962	100,589	106,811	80,236

8. Other Income

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) from:				
Disposal of investment properties	9,125	8,131	9,125	8,548
Disposal of fixed assets	486	3,352	(15)	839
Disposal/liquidation of subsidiaries/associates/joint ventures	(1,882)	(1,879)	9,691	(25)
Others	109,743	104,538	125,822	127,628
	117,472	114,142	144,623	136,990

9. Staff Costs

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Salaries, bonus and allowance	1,780,841	1,648,664	1,084,081	938,001
Employer's contribution to defined contribution plans	160,626	150,072	96,269	86,576
Share-based compensation	40,679	41,113	31,428	32,562
Others	241,902	210,165	135,668	113,931
	2,224,048	2,050,014	1,347,446	1,171,070
Of which, the Bank's directors' remuneration	9,375	8,422	9,375	8,422

10. Other Operating Expenses

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Revenue-related	889,031	826,380	500,162	450,133
Occupancy-related	332,284	323,819	205,064	207,468
IT-related	365,271	286,424	323,169	309,837
Others	216,597	209,861	128,777	112,431
	1,803,183	1,646,484	1,157,172	1,079,869

Of which:

Advisory/Directors' fees	5,064	4,711	3,723	3,375
Depreciation of assets	258,271	221,704	159,403	143,335
Rental expenses	128,575	134,406	88,861	93,000
Auditors' remuneration paid/payable to:				
Auditors of the Bank	3,088	2,703	2,374	1,933
Affiliates of auditors of the Bank	2,135	2,204	705	695
Other auditors	195	232	117	78
Non-audit fees paid/payable to:				
Auditors of the Bank	628	376	565	345
Affiliates of auditors of the Bank	891	1,248	485	214
Other auditors	166	17	140	17
Expenses on investment properties	52,262	54,621	40,381	41,719
Fee expenses arising from financial liabilities not at fair value through profit or loss	59,924	31,119	23,519	31,050

11. Allowance for Credit and Other Losses

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Specific allowance on/(write-back) of:				
Loans (Note 25d)	1,406,948	969,123	1,077,065	736,333
Investments	4,050	6,215	(35,725)	113,664
Other assets	63,763	16,040	64,572	12,999
General allowance	(747,323)	(397,610)	(776,730)	(406,598)
	727,438	593,768	329,182	456,398

Included in the allowance for credit and other losses is the following:

Bad debts written off	322,767	343,052	109,283	185,639
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Notes to the Financial Statements

for the financial year ended 31 December 2017

12. Tax

The tax charge to the income statements comprises the following:

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
On profit of the financial year				
Current tax	801,588	633,151	574,015	439,673
Deferred tax	(16,808)	33,630	12,224	35,091
	784,780	666,781	586,239	474,764
(Over)/under-provision of prior year tax				
Current tax	(3,337)	(22,413)	(4,683)	(21,072)
Deferred tax	335	6,375	(721)	864
Share of tax of associates and joint ventures	18,335	18,226	–	–
	800,113	668,969	580,835	454,556

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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Operating profit after allowance	4,096,601	3,770,990	3,425,778	2,939,381
Prima facie tax calculated at tax rate of 17% (2016: 17%)	696,422	641,068	582,382	499,695
Effect of:				
Income taxed at concessionary rates	(40,893)	(57,246)	(40,324)	(56,517)
Different tax rates in other countries	125,829	127,952	74,376	71,529
Income not subject to tax	(31,433)	(64,743)	(41,854)	(76,190)
Expenses not deductible for tax	42,193	22,602	12,140	38,650
Others	(7,338)	(2,852)	(481)	(2,403)
Tax expense on profit of the financial year	784,780	666,781	586,239	474,764

13. Earnings Per Share

Basic and diluted earnings per share (EPS) are determined as follows:

	The Group	
	2017	2016
Profit attributable to equity holders of the Bank (\$'000)	3,390,291	3,096,289
Dividends on preference shares (\$'000)	–	(8,347)
Distribution of perpetual capital securities (\$'000)	(102,322)	(84,089)
Adjusted profit (\$'000)	3,287,969	3,003,853
Weighted average number of ordinary shares ('000)		
In issue	1,650,540	1,616,629
Adjustment for potential ordinary shares under share-based compensation plans	6,572	6,144
Diluted	1,657,112	1,622,773
EPS (\$)		
Basic	1.99	1.86
Diluted	1.98	1.85

Notes to the Financial Statements

for the financial year ended 31 December 2017

14. Share Capital and Other Capital

(a)

	2017		2016	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Ordinary shares				
Balance at 1 January	1,646,966	4,477,326	1,614,544	3,944,232
Shares issued under scrip dividend scheme	24,568	488,241	32,422	533,094
Balance at 31 December	1,671,534	4,965,567	1,646,966	4,477,326
Treasury shares				
Balance at 1 January	(11,274)	(220,797)	(12,281)	(240,523)
Shares issued under share-based compensation plans	2,395	46,901	1,007	19,726
Balance at 31 December	(8,879)	(173,896)	(11,274)	(220,797)
Ordinary share capital	1,662,655	4,791,671	1,635,692	4,256,529
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	–	847,441	–	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	–	–
Share capital and other capital of the Bank and the Group		7,765,643		6,351,013

- (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 2,395,000 (2016: 1,007,000) treasury shares to participants of the share-based compensation plans.

14. Share Capital and Other Capital (continued)

- (d) The 4.90% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 23 July 2013. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 23 July 2018 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 4.90% per annum, subject to a reset on 23 July 2018 (and every five years thereafter) to a rate equal to the prevailing five-year Singapore Dollar Swap Offer Rate (SOR) plus the initial margin of 3.195%. Distributions are payable semi-annually on 23 January and 23 July 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 4.75% 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.

- (f) 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.

- (g) 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 2017

15. Retained Earnings

(a)

	The Group		The Bank	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at 1 January	17,333,616	15,463,194	13,030,819	11,734,720
Profit for the financial year attributable to equity holders of the Bank	3,390,291	3,096,289	2,844,943	2,484,825
Remeasurement of defined benefit obligation	(7,214)	3,706	(28)	–
Transfer from/(to) other reserves	237,878	(5,915)	2,475	14,549
Reclassification of share-based compensation reserves on expiry	1,229	2,529	1,229	2,529
Transfer from subsidiary upon merger	–	–	69,843	–
Dividends				
Ordinary shares				
Final dividend of 35 cents (2016: 35 cents) tax-exempt per share paid in respect of prior financial year	(572,532)	(562,552)	(572,532)	(562,552)
Interim dividend of 35 cents (2016: 35 cents) tax-exempt per share paid in respect of the financial year	(580,690)	(562,549)	(580,690)	(562,549)
Semi-annual dividend at 5.796% per annum on non-cumulative non-convertible guaranteed SPV-A preference shares	–	(20,383)	–	–
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	(41,650)	(41,764)	(41,650)	(41,764)
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	(23,750)	(23,815)	(23,750)	(23,815)
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	(30,000)	(15,124)	(30,000)	(15,124)
	(1,248,622)	(1,226,187)	(1,248,622)	(1,205,804)
Balance at 31 December	19,707,178	17,333,616	14,700,659	13,030,819

- (b) The retained earnings are distributable reserves except for an amount of \$554,406,000 (2016: \$485,252,000), 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 2017, the directors have proposed a final tax-exempt dividend of 45 cents and a special tax-exempt dividend of 20 cents per ordinary share amounting to a total dividend of \$1,080,726,000. The proposed dividend will be accounted for in Year 2018 financial statements upon approval of the equity holders of the Bank.

16. Other Reserves

(a)

	The Group								
	Fair value reserve	Foreign currency translation reserve	Share-based compensation reserve	Merger reserve	Statutory reserve	General reserve	Share of reserves of associates and joint ventures	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
2016									
Balance at 1 January	1,237,166	(1,437,706)	61,806	3,077,432	494,804	6,224,138	92,208	(325,888)	9,423,960
Other comprehensive income for the financial year	(362,233)	107,867	-	-	-	-	(5,047)	(907)	(260,320)
Transfers	-	-	-	(9,281)	41,288	(25,170)	-	(922)	5,915
Share-based compensation	-	-	41,260	-	-	-	-	-	41,260
Reclassification of share-based compensation reserves on expiry	-	-	(2,529)	-	-	-	-	-	(2,529)
Shares issued under share-based compensation plans	-	-	(22,746)	-	-	-	-	3,020	(19,726)
Balance at 31 December	874,933	(1,329,839)	77,791	3,068,151	536,092	6,198,968	87,161	(324,697)	9,188,560

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for the financial year ended 31 December 2017

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	General reserve \$'000	Others \$'000	Total \$'000
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
2016							
Balance at 1 January	1,242,199	(59,238)	61,806	3,077,432	5,683,421	(34,258)	9,971,362
Other comprehensive income for the financial year	(357,386)	7,049	-	-	-	-	(350,337)
Transfers	-	-	-	(9,281)	(5,268)	-	(14,549)
Share-based compensation	-	-	41,260	-	-	-	41,260
Reclassification of share-based compensation reserves on expiry	-	-	(2,529)	-	-	-	(2,529)
Shares issued under share-based compensation plans	-	-	(22,746)	-	-	3,020	(19,726)
Balance at 31 December	884,813	(52,189)	77,791	3,068,151	5,678,153	(31,238)	9,625,481

- (b) Fair value reserve contains cumulative fair value changes of outstanding available-for-sale financial assets.
- (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' post-acquisition revenue reserve at 1 January 1998 and other reserves, adjusted for goodwill arising from acquisition of associates and joint ventures prior to 1 January 2001. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates and joint ventures.

The Group's share of profit of associates and joint ventures is included in retained earnings with effect from 1 January 1998.

16. Other Reserves (continued)

- (i) Other reserves include amounts transferred from retained earnings pertaining to gains on sale of investments by certain subsidiaries in accordance with their memorandums and articles of association, bonus shares issued by subsidiaries, gains and losses on issue of treasury shares under the share-based compensation plans, as well as the difference between consideration paid and interest acquired from non-controlling interests of subsidiaries.

17. Classification of Financial Assets and Financial Liabilities

(a)

	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

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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
2016					
Cash, balances and placements with central banks	2,917,230	–	3,060,256	18,344,629	24,322,115
Singapore Government treasury bills and securities	230,163	–	6,646,668	–	6,876,831
Other government treasury bills and securities	2,175,889	–	8,462,581	–	10,638,470
Trading securities	3,127,350	–	–	–	3,127,350
Placements and balances with banks	8,384,373	235,462	1,639,745	29,773,295	40,032,875
Loans to customers	2,392,124	–	–	219,341,545	221,733,669
Derivative financial assets	6,981,546	–	–	–	6,981,546
Investment securities					
Debt	–	–	8,357,029	421,911	8,778,940
Equity	–	–	2,860,749	–	2,860,749
Other assets	923,949	27,514	3,430	4,938,578	5,893,471
Total financial assets	27,132,624	262,976	31,030,458	272,819,958	331,246,016
Non-financial assets					8,781,617
Total assets					340,027,633
Deposits and balances of banks and customers	165,710	1,782,578	–	265,220,807	267,169,095
Bills and drafts payable	–	–	–	521,720	521,720
Derivative financial liabilities	6,837,108	–	–	–	6,837,108
Other liabilities	730,492	–	–	4,614,562	5,345,054
Debts issued	–	1,274,228	–	24,868,721	26,142,949
Total financial liabilities	7,733,310	3,056,806	–	295,225,810	306,015,926
Non-financial liabilities					969,919
Total liabilities					306,985,845

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

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17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Bank				
	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
2016					
Cash, balances and placements with central banks	2,826,801	–	2,525,955	11,220,075	16,572,831
Singapore Government treasury bills and securities	230,163	–	6,646,668	–	6,876,831
Other government treasury bills and securities	2,004,005	–	3,253,281	–	5,257,286
Trading securities	2,977,205	–	–	–	2,977,205
Placements and balances with banks	8,148,752	235,462	1,003,337	24,343,265	33,730,816
Loans to customers	2,392,124	–	–	170,263,791	172,655,915
Placements with and advances to subsidiaries	608,142	–	–	8,831,959	9,440,101
Derivative financial assets	6,184,579	–	–	–	6,184,579
Investment securities					
Debt	–	–	7,621,107	828,658	8,449,765
Equity	–	–	2,541,861	–	2,541,861
Other assets	878,167	–	1,537	3,392,284	4,271,988
Total financial assets	26,249,938	235,462	23,593,746	218,880,032	268,959,178
Non-financial assets					11,904,132
Total assets					280,863,310
Deposits and balances of banks, customers and subsidiaries	165,803	1,554,217	–	215,802,493	217,522,513
Bills and drafts payable	–	–	–	323,813	323,813
Derivative financial liabilities	5,961,059	–	–	–	5,961,059
Other liabilities	684,745	–	–	1,746,596	2,431,341
Debts issued	–	1,274,228	–	23,740,416	25,014,644
Total financial liabilities	6,811,607	2,828,445	–	241,613,318	251,253,370
Non-financial liabilities					602,627
Total liabilities					251,855,997

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 37a.

(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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial liabilities				
Deposits and balances of banks, customers and subsidiaries	1,905,376	1,814,373	1,696,373	1,583,595
Debts issued	1,638,341	1,382,086	1,638,341	1,382,086
	3,543,717	3,196,459	3,334,714	2,965,681

18. Fair Values of Financial Instruments

- (a) The valuation process adopted by the Group is governed by the valuation, market data, and reserves 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 endorsed by the Market Risk Models and Reserves Working Group and 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 cost or 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 cost or 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
2017				
Debts issued	23,639,219	23,800,641	22,350,571	22,508,882
2016				
Debts issued	24,868,721	24,894,546	23,740,416	23,771,294

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18. Fair Values of Financial Instruments (continued)

(b) The Group classified 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					
	2017			2016		
	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	1,108,730	3,645,822	–	2,870,154	3,107,332	–
Singapore Government treasury bills and securities	4,267,179	–	–	6,876,831	–	–
Other government treasury bills and securities	11,708,818	–	–	10,638,470	–	–
Trading securities	1,024,956	127,825	613,182	221,537	1,775,355	1,130,458
Placements and balances with banks	–	12,424,142	–	–	10,259,580	–
Loans to customers	–	3,401,517	–	–	2,392,124	–
Derivative financial assets	82,897	5,603,423	94,595	76,076	6,748,172	157,298
Investment securities						
Debt	6,639,831	543,368	508,326	7,504,561	454,421	398,047
Equity	900,100	–	2,296,774	774,891	–	2,085,858
Other assets	961,563	70,403	–	953,369	1,524	–
	26,694,074	25,816,500	3,512,877	29,915,889	24,738,508	3,771,661
Total financial assets carried at fair value			56,023,451			58,426,058
Deposits and balances of banks and customers	–	2,681,921	–	–	1,948,288	–
Derivative financial liabilities	38,493	5,342,549	149,706	88,683	6,595,805	152,620
Other liabilities	103,489	636,160	–	62,321	668,171	–
Debts issued	–	1,539,182	–	–	1,274,228	–
	141,982	10,199,812	149,706	151,004	10,486,492	152,620
Total financial liabilities carried at fair value			10,491,500			10,790,116

18. Fair Values of Financial Instruments (continued)

(b) (continued)

	The Bank					
	2017			2016		
	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	1,108,731	2,878,852	–	2,870,154	2,482,602	–
Singapore Government treasury bills and securities	4,267,179	–	–	6,876,831	–	–
Other government treasury bills and securities	6,236,365	–	–	5,257,286	–	–
Trading securities	908,311	127,825	466,182	221,537	1,762,755	992,913
Placements and balances with banks	–	10,499,000	–	–	9,387,551	–
Loans to customers	–	3,401,517	–	–	2,392,124	–
Placements with and advances to subsidiaries	487,948	926,931	–	107,958	500,184	–
Derivative financial assets	81,397	4,110,109	91,592	75,718	5,966,193	142,668
Investment securities						
Debt	5,890,688	509,765	498,941	6,845,398	388,678	387,031
Equity	778,572	–	2,040,898	664,621	–	1,877,240
Other assets	890,872	14,439	–	874,561	5,143	–
	20,650,063	22,468,438	3,097,613	23,794,064	22,885,230	3,399,852
Total financial assets carried at fair value			46,216,114			50,079,146
Deposits and balances of banks, customers and subsidiaries	–	2,441,773	–	–	1,720,020	–
Derivative financial liabilities	38,439	3,859,394	144,829	88,347	5,732,749	139,963
Other liabilities	103,498	597,497	–	62,324	622,421	–
Debts issued	–	1,539,182	–	–	1,274,228	–
	141,937	8,437,846	144,829	150,671	9,349,418	139,963
Total financial liabilities carried at fair value			8,724,612			9,640,052

(c) During the year, the Group reviewed its valuation framework, which led to changes in fair value measurement hierarchy classifications of certain financial assets and liabilities. Accordingly, comparatives have been restated to conform to the current year's presentation.

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18. Fair Values of Financial Instruments (continued)

(d) 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
	Fair value gains or losses			Purchases	Settlements	Transfer in	Balance at 31 December	
	Balance at 1 January	Income statement	Other comprehensive income					
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
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)
2016								
Assets								
Trading securities	575,596	20,833	–	589,187	(55,158)	–	1,130,458	20,833
Derivative financial assets	181,347	(79,381)	–	–	–	55,332 ⁽¹⁾	157,298	(79,381)
Investment securities - debt	327,469	1,309	1,371	167,635	(99,737)	–	398,047	2,434
Investment securities - equity	2,399,561	64,452	(266,004)	165,771	(277,922)	–	2,085,858	–
Liabilities								
Derivative financial liabilities	181,347	(79,381)	–	–	–	50,654 ⁽¹⁾	152,620	(79,381)

(1) Derivative financial assets and liabilities were transferred from Level 2 to Level 3 during the year due to an increased contribution of unobservable inputs to their valuation.

18. Fair Values of Financial Instruments (continued)

(d) (continued)

	The Bank							Unrealised gains or losses included in income statement
	Fair value gains or losses			Purchases	Settlements	Transfer in	Balance at 31 December	
	Balance at 1 January	Income statement	Other comprehensive income					
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
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
2016								
Assets								
Trading securities	427,169	15,031	–	550,713	–	–	992,913	15,031
Derivative financial assets	181,347	(79,381)	–	–	–	40,702 ⁽¹⁾	142,668	(79,381)
Investment securities - debt	318,429	1,309	1,395	165,635	(99,737)	–	387,031	2,434
Investment securities - equity	2,170,707	63,504	(278,725)	107,991	(186,237)	–	1,877,240	–
Liabilities								
Derivative financial liabilities	181,347	(79,381)	–	–	–	37,997 ⁽¹⁾	139,963	(79,381)

(1) Derivative financial assets and liabilities were transferred from Level 2 to Level 3 during the year due to an increased contribution of unobservable inputs to their valuation.

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18. Fair Values of Financial Instruments (continued)

- (e) Effect of changes in significant unobservable inputs.

At 31 December 2017, 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:

	2017 \$'000	2016 \$'000	Classification	Valuation technique	Unobservable inputs
Assets					
Trading securities	147,000	137,545	FVPL ⁽¹⁾	(a) Net Asset Value	(a) Net Asset Value
Trading securities	466,182	992,913	FVPL ⁽¹⁾	(b) Discounted Cash Flow	(b) Credit Spreads
Derivative financial assets	94,595	157,298	FVPL ⁽¹⁾	Option Pricing Model	Volatilities and Correlations
Investment securities - debt	508,326	398,047	AFS ⁽²⁾	Discounted Cash Flow	Credit Spreads
Investment securities - equity	2,296,774	2,085,858	AFS ⁽²⁾	Multiples and Net Asset Value	Net Asset Value, Earnings and Financial Ratios Multiples
Liabilities					
Derivative financial liabilities	149,706	152,620	FVPL ⁽¹⁾	Option Pricing Model	Volatilities and Correlations

(1) Financial instruments classified as fair value through profit or loss.

(2) Financial instruments classified as available-for-sale.

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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	139,256,592	133,966,257	103,293,087	100,047,401
Savings deposits	66,404,307	61,951,429	53,867,194	49,587,318
Current accounts	57,569,988	51,689,604	49,405,626	43,856,680
Others	9,534,234	7,706,583	8,646,459	6,173,609
	272,765,121	255,313,873	215,212,366	199,665,008

20. Other Liabilities

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Accrued interest payable	732,331	849,209	410,717	503,450
Accrued operating expenses	939,645	735,357	563,617	417,351
Sundry creditors	2,833,084	3,332,705	1,228,685	1,140,546
Others	705,214	748,388	602,507	528,821
	5,210,274	5,665,659	2,805,526	2,590,168

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21. Deferred Tax

Deferred tax comprises the following:

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities on:				
Unrealised gain on available-for-sale financial assets	88,390	71,110	65,626	57,832
Accelerated tax depreciation	129,744	116,405	120,310	105,427
Unrealised gain on financial instruments fair value through profit or loss	38,934	129,455	–	2,520
Fair value of depreciable assets acquired in business combination	26,476	27,008	26,476	27,008
Others	4,136	1,160	5,425	707
	287,680	345,138	217,837	193,494
Amount offset against deferred tax assets	(109,696)	(113,230)	(103,734)	(104,280)
	177,984	231,908	114,103	89,214
Deferred tax assets on:				
Unrealised loss on available-for-sale financial assets	521	38	9	–
Allowance for impairment	140,021	136,133	103,961	101,623
Tax losses	5,109	12,583	–	6,412
Unrealised loss on financial instruments fair value through profit or loss	23,288	124,723	81	89
Others	134,014	90,847	46,982	38,531
	302,953	364,324	151,033	146,655
Amount offset against deferred tax liabilities	(109,696)	(113,230)	(103,734)	(104,280)
	193,257	251,094	47,299	42,375
Net deferred tax assets/(liabilities)	15,273	19,186	(66,804)	(46,839)

Movements in deferred tax during the financial year are as follows:

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	19,186	35,449	(46,839)	(35,243)
Effect of change in tax rate	–	(979)	–	–
Currency translation adjustments	(1,420)	1,426	(1,897)	1,047
Credit/(Charge) to income statement	16,473	(38,989)	(11,503)	(35,955)
(Charge)/credit to equity	(18,966)	22,279	(7,790)	23,312
Transfer from subsidiary upon merger	–	–	1,225	–
Balance at 31 December	15,273	19,186	(66,804)	(46,839)

The Group has not recognised deferred tax assets in respect of tax losses of \$26,295,000 (2016: \$39,308,000) 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 \$1,246,000 (2016: \$10,456,000) which will expire between the years 2018 and 2020 (2016: 2017 and 2019).

22. Debts Issued

(a)

	Note	Issue Date/ Maturity Date	The Group		The Bank	
			2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Subordinated notes						
S\$1.2 billion 3.15% subordinated notes callable in 2017	b(i)	11 Jul 2012/ 11 Jul 2022	–	1,196,879	–	1,196,879
US\$500 million 2.875% subordinated notes callable in 2017	b(ii)	17 Oct 2012/ 17 Oct 2022	–	720,764	–	720,764
US\$800 million 3.75% subordinated notes callable in 2019	b(iii)	19 Mar 2014/ 19 Sep 2024	1,064,364	1,161,421	1,064,364	1,161,421
S\$500 million 3.50% subordinated notes callable in 2020	b(iv)	22 May 2014/ 22 May 2026	502,280	495,279	502,280	495,279
US\$700 million 3.50% subordinated notes callable in 2021	b(v)	16 Mar 2016/ 16 Sep 2026	914,057	992,514	914,057	992,514
HK\$700 million 3.19% subordinated notes callable in 2023	b(vi)	26 Aug 2016/ 26 Aug 2028	113,947	120,824	113,947	120,824
US\$600 million 2.88% subordinated notes callable in 2022	b(vii)	8 Sep 2016/ 8 Mar 2027	791,437	857,906	791,437	857,906
S\$750 million 3.50% subordinated notes callable in 2024	b(viii)	27 Feb 2017/ 27 Feb 2029	763,495	–	763,495	–
RM1 billion 4.65% subordinated notes callable in 2020	b(ix)	8 May 2015/ 8 May 2025	330,162	323,652	–	–
THB6 billion 3.56% subordinated notes callable in 2022	b(x)	20 Sep 2017/ 20 Sep 2027	245,873	–	–	–
IDR433 billion 11.35% subordinated notes	b(xi)	28 May 2014/ 28 May 2021	42,355	46,138	–	–
IDR100 billion 9.40% subordinated notes	b(xii)	25 Nov 2016/ 25 Nov 2023	9,673	10,579	–	–
IDR500 billion 9.25% subordinated notes	b(xiii)	17 Oct 2017/ 17 Oct 2024	49,148	–	–	–
Total			4,826,791	5,925,956	4,149,580	5,545,587
Of which, fair value hedge (gain)/loss			(21,316)	(34,239)	(22,207)	(35,459)

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22. Debts Issued (continued)

(a) (continued)

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Other debts issued				
Interest rate-linked notes	1,443,693	1,274,228	1,443,693	1,274,228
Equity-linked notes	329,328	392,874	329,328	392,874
Floating rate notes	1,376,269	675,137	1,376,269	675,137
Fixed rate notes	1,253,927	2,733,179	667,077	2,003,408
Commercial papers	13,673,527	14,363,726	13,673,527	14,363,726
Covered bonds	2,246,743	757,834	2,246,743	757,834
Others	28,123	20,015	3,536	1,850
Total	20,351,610	20,216,993	19,740,173	19,469,057
Of which, fair value hedge (gain)/loss	(10,097)	8,859	(10,097)	8,859
Total debts issued	25,178,401	26,142,949	23,889,753	25,014,644

(b) Subordinated Notes

- (i) The subordinated notes were fully redeemed by the Bank on 11 July 2017.
- (ii) The subordinated notes were fully redeemed by the Bank on 17 October 2017.
- (iii) 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.
- (iv) 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.
- (v) 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.

22. Debts Issued (continued)

(b) Subordinated Notes (continued)

- (vi) 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.
- (vii) 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.
- (viii) 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.
- (ix) 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.
- (x) 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.
- (xi) 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.
- (xii) 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.
- (xiii) 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 3 January 2018 to 21 March 2019. 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 September 2018 to 6 April 2021. 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 1 April 2018 to 25 November 2021. Interest is payable semi-annually and quarterly at a fixed rate as follows:

Currency notes	Interest rate
USD	2.50% per annum
IDR	8.0% to 9.6% per annum
THB	1.85% to 2.16% per annum

- (v) The commercial papers were issued by the Bank between 6 September 2017 and 27 December 2017 and mature between 3 January 2018 and 7 June 2018. Interest rates of the papers ranged from 1.34% to 1.82% per annum (2016: 0.66% to 1.22% per annum).

- (vi) As at 31 December 2017, there were three covered bonds in issue comprising of:

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.

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 of a promissory note issued by UOBT, foreign exchange-linked notes and credit-linked notes issued by the Bank.

(d) Changes in Liabilities Arising from Financing Activities

	Balance at 1 January	The Group			Balance at 31 December
		Cash flows		Non-cash changes	
		Issuance	Redemption	Foreign exchange movement/ Others	
	\$'000	\$'000	\$'000	\$'000	\$'000
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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash on hand	2,271,204	2,242,035	2,008,274	1,943,585
Balances with central banks				
Restricted balances	5,649,687	5,921,295	3,777,932	3,928,475
Non-restricted balances	18,704,078	16,158,785	14,174,001	10,700,771
	26,624,969	24,322,115	19,960,207	16,572,831

24. Trading Securities

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Quoted securities				
Debt	1,448,149	863,204	1,331,504	850,604
Equity	34,223	7,724	34,223	7,724
Unquoted securities				
Debt	136,591	2,118,877	136,591	2,118,877
Equity	147,000	137,545	–	–
	1,765,963	3,127,350	1,502,318	2,977,205

25. Loans to Customers

(a)

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Loans to customers (gross)	236,027,805	225,661,673	183,121,406	175,406,818
Specific allowance (Note 25d)	(1,855,026)	(1,218,549)	(1,493,696)	(877,467)
General allowance (Note 25d)	(1,961,033)	(2,709,455)	(1,107,149)	(1,873,436)
Loans to customers (net)	232,211,746	221,733,669	180,520,561	172,655,915
Comprising:				
Trade bills	2,943,461	2,684,036	909,271	949,079
Advances to customers	229,268,285	219,049,633	179,611,290	171,706,836
	232,211,746	221,733,669	180,520,561	172,655,915

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25. Loans to Customers (continued)

(b) Gross Loans to Customers Analysed by Industry

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	9,387,882	9,780,593	8,033,896	8,355,588
Building and construction	53,646,496	52,280,920	47,706,847	46,215,499
Manufacturing	18,615,039	15,746,676	12,030,693	9,530,979
Financial institutions, investment and holding companies	19,089,930	15,518,601	16,144,357	12,719,024
General commerce	30,664,223	30,268,903	22,865,183	22,955,434
Professionals and private individuals	28,181,751	26,950,561	19,402,352	18,611,861
Housing loans	65,568,573	61,450,730	48,324,891	45,489,585
Others	10,873,911	13,664,689	8,613,187	11,528,848
	236,027,805	225,661,673	183,121,406	175,406,818

(c) Gross Loans to Customers Analysed by Currency

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	115,750,369	112,160,101	115,562,636	111,870,338
US Dollar	44,507,292	45,079,346	39,497,557	40,329,012
Malaysian Ringgit	23,999,510	22,992,853	-	-
Thai Baht	14,006,238	12,422,864	-	100
Indonesian Rupiah	4,852,534	5,401,006	-	-
Others	32,911,862	27,605,503	28,061,213	23,207,368
	236,027,805	225,661,673	183,121,406	175,406,818

25. Loans to Customers (continued)

(d) Movements of Allowance for Impairment on Loans

	2017		2016	
	Specific allowance \$'000	General allowance \$'000	Specific allowance \$'000	General allowance \$'000
The Group				
Balance at 1 January	1,218,549	2,709,455	773,143	2,986,878
Currency translation adjustments	(65,420)	(1,099)	25,026	(914)
Net write-off	(699,905)	–	(555,262)	–
Bad debts recovery	(104,582)	–	(78,544)	–
Allowance/(write-back) for loans	1,511,530	(747,323)	1,047,667	(276,509)
Net charge/(write-back) to income statement (Note 11)	1,406,948	(747,323)	969,123	(276,509)
Interest on impaired financial assets	(5,146)	–	6,519	–
Balance at 31 December	1,855,026	1,961,033	1,218,549	2,709,455
The Bank				
Balance at 1 January	877,467	1,873,436	493,600	2,206,839
Currency translation adjustments	(58,322)	(1,616)	20,208	1,095
Net write-off	(399,100)	–	(381,786)	–
Bad debts recovery	(29,958)	–	(24,285)	–
Allowance/(write-back) for loans	1,107,023	(776,730)	760,618	(334,498)
Net charge/(write-back) to income statement (Note 11)	1,077,065	(776,730)	736,333	(334,498)
Transfer from subsidiary upon merger	275	12,059	–	–
Interest on impaired financial assets	(3,689)	–	9,112	–
Balance at 31 December	1,493,696	1,107,149	877,467	1,873,436

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26. 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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore Government and central bank treasury bills and securities	634,394	533,952	634,394	533,952
Other government treasury bills and securities	855,735	740,999	855,735	740,999
Placements and balances with banks				
Negotiable certificates of deposit	609,007	180,921	609,007	180,921
Investment securities	136,922	211,980	136,922	211,980
	2,236,058	1,667,852	2,236,058	1,667,852

The amount of the associated liabilities approximates the carrying amount of the assets pledged.

(b) Collateral Received

For reverse repurchase agreements (reverse repo) where the Group receives assets as collateral is as follows:

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Assets received for reverse repo transactions, at fair value	10,679,407	8,990,963	7,066,027	7,502,696
Of which, sold or repledged	253,370	37,086	253,370	37,086

(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.

26. Financial Assets Transferred (continued)

(c) (continued)

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:

	2017		2016	
	Reverse repo \$'000	Repo \$'000	Reverse repo \$'000	Repo \$'000
The Group				
Gross/net carrying amount on the balance sheet ⁽¹⁾	12,345,665	2,419,238	8,348,247	1,672,875
Amount not subject to netting agreements	–	–	–	–
Amount subject to netting agreements	12,345,665	2,419,238	8,348,247	1,672,875
Amount nettable ⁽²⁾	(390,684)	(390,684)	(218,695)	(218,695)
Financial collateral	(11,951,289)	(2,023,220)	(7,725,218)	(1,423,301)
Net amounts	3,692	5,334	404,334	30,879
The Bank				
Gross/net carrying amount on the balance sheet ⁽¹⁾	8,406,228	2,419,238	6,777,306	1,672,875
Amount not subject to netting agreements	–	–	–	–
Amount subject to netting agreements	8,406,228	2,419,238	6,777,306	1,672,875
Amount nettable ⁽²⁾	(390,684)	(390,684)	(218,696)	(218,696)
Financial collateral	(8,011,852)	(2,023,220)	(6,505,304)	(1,423,300)
Net amounts	3,692	5,334	53,306	30,879

(1) There was no amount that met the offsetting criteria as at the balance sheet date.

The gross/net 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.

(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 2017, there were three covered bonds in issue comprising of two EUR500 million fixed rate covered bonds and one US\$500 million fixed rate covered bond (2016: EUR500 million), while the carrying value of assets assigned was \$5,020 million (2016: \$4,032 million).

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27. Investment Securities

(a)

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Quoted securities				
Debt	6,282,646	6,750,255	6,030,317	6,465,576
Equity	940,326	806,416	806,697	694,609
Unquoted securities				
Debt	1,860,457	2,097,693	1,699,174	2,040,313
Equity	2,338,467	2,138,236	2,089,871	1,926,010
Allowance for impairment (Note 31)	(149,016)	(152,911)	(131,038)	(134,882)
	11,272,880	11,639,689	10,495,021	10,991,626

(b) Investment Securities Analysed by Industry

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	1,112,781	1,458,574	1,078,547	1,449,116
Building and construction	777,804	293,386	731,508	242,979
Manufacturing	1,801,146	2,303,073	1,767,628	2,278,320
Financial institutions, investment and holding companies	4,103,951	4,032,807	3,556,008	3,586,759
General commerce	912,876	1,113,798	824,940	1,018,998
Others	2,564,322	2,438,051	2,536,390	2,415,454
	11,272,880	11,639,689	10,495,021	10,991,626

28. Other Assets

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Interest receivable	905,835	813,092	635,513	549,905
Sundry debtors	2,111,397	3,059,350	906,649	1,783,845
Foreclosed properties	91,439	94,410	–	–
Others	1,227,112	2,353,750	1,019,457	2,042,804
Allowance for impairment (Note 31)	(145,685)	(146,371)	(14,294)	(15,117)
	4,190,098	6,174,231	2,547,325	4,361,437

29. Investment in Associates and Joint Ventures

(a)

	The Group		The Bank	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Material associates:				
UOB-Kay Hian Holdings Limited	548,068	534,882	66,889	66,889
Network for Electronic Transfers (Singapore) Pte Ltd	73,845	65,873	7,399	7,399
	621,913	600,755	74,288	74,288
Other associates/joint ventures	590,705	526,213	400,635	395,289
	1,212,618	1,126,968	474,923	469,577
Allowance for impairment (Note 31)	(18,178)	(18,043)	(136,938)	(136,938)
	1,194,440	1,108,925	337,985	332,639
Market value of quoted equity securities at 31 December	426,170	396,400	426,170	396,400

Name of associate	Principal activities	Country of incorporation	Effective equity interest of the Group	
			2017 %	2016 %
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	40	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 are not individually material is as follows:

	The Group	
	2017 \$'000	2016 \$'000
Profit/(Loss) for the financial year	53,966	(43,176)
Other comprehensive income	(4,540)	(198)
Total comprehensive income	49,426	(43,374)

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for the financial year ended 31 December 2017

29. Investment in Associates and Joint Ventures (continued)

- (c) The summarised financial information in respect of UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd, based on its FRS 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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Operating income	362,975	319,519	220,337	161,959
Profit for the financial year	68,620	54,450	31,890	27,080
Other comprehensive income	(5,206)	(12,838)	779	897
Total comprehensive income	63,414	41,612	32,669	27,977

Summarised Balance Sheets

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current assets	3,953,564	3,720,552	401,068	361,122
Non-current assets	58,618	124,800	84,297	53,390
Total assets	4,012,182	3,845,352	485,365	414,512
Current liabilities	2,624,673	2,506,856	252,491	208,609
Non-current liabilities	843	1,163	11,340	8,283
Total liabilities	2,625,516	2,508,019	263,831	216,892
Net assets	1,386,666	1,337,333	221,534	197,620
Proportion of the Group's ownership	40%	40%	33%	33%
Group's share of net assets	548,076	534,897	73,845	65,873
Other adjustments	(8)	(15)	-	-
Carrying amount of the investment	548,068	534,882	73,845	65,873

Dividends of \$10,968,000 (2016: \$14,101,000) and \$2,918,000 (2016: \$6,766,000) were received from UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd respectively.

30. Investment in Subsidiaries

(a)

	The Bank	
	2017 \$'000	2016 \$'000
Quoted equity securities	45,024	45,024
Unquoted equity securities	5,830,087	6,104,378
	5,875,111	6,149,402
Allowance for impairment (Note 31)	(131,381)	(363,696)
	5,743,730	5,785,706
Market value of quoted equity securities at 31 December	260,308	167,111

(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	
		2017 %	2016 %
Commercial Banking			
Far Eastern Bank Limited ⁽¹⁾	Singapore	–	100
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
Money Market			
UOB Australia Limited	Australia	100	100
Insurance			
United Overseas Insurance Limited	Singapore	58	58
Investment			
UOB Capital Management Pte Ltd	Singapore	100	100
UOB International Investment Private Limited	Singapore	100	100
UOB Property Investments Pte. Ltd.	Singapore	100	100
UOB Property Investments China Pte Ltd	Singapore	100	100
UOB Venture Management (Shanghai) Co., Ltd ⁽²⁾	China	100	100
UOB Holdings (USA) Inc. ⁽³⁾	United States	100	100
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 Venture Management Private Limited	Singapore	100	100
UOB Global Capital LLC ⁽²⁾	United States	70	70
UOB Alternative Investment Management Pte Ltd	Singapore	100	100

Notes to the Financial Statements

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30. Investment in Subsidiaries (continued)

(b) (continued)

Name of subsidiary	Country of incorporation	Effective equity interest of the Group	
		2017 %	2016 %
Bullion, Brokerage and Clearing			
UOB Bullion and Futures Limited	Singapore	100	100
Property			
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100
PT UOB Property	Indonesia	100	100
UOB Realty (USA) Ltd Partnership ⁽³⁾	United States	100	100
Travel			
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 in overseas are audited by member firms of Ernst & Young Global Limited.

(1) Far Eastern Bank Limited merged with United Overseas Bank Limited on 1 October 2017.

(2) Audited by other auditors.

(3) Not required to be audited.

(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
2017					
United Overseas Insurance Limited	Singapore	42	13,708	157,116	4,326
2016					
United Overseas Insurance Limited	Singapore	42	9,625	139,306	4,326

30. Investment in Subsidiaries (continued)

- (d) Summarised Financial Information about Subsidiaries with Material NCI
Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material NCI are as follows:

Summarised Statements of Comprehensive Income

	United Overseas Insurance Limited	
	2017 \$'000	2016 \$'000
Operating income	54,166	44,020
Profit before tax	38,544	27,159
Tax	5,600	4,028
Profit for the financial year	32,944	23,131
Other comprehensive income	20,253	10,524
Total comprehensive income	53,197	33,655

Summarised Balance Sheets

	United Overseas Insurance Limited	
	2017 \$'000	2016 \$'000
Total assets	646,756	599,408
Total liabilities	269,177	264,630
Net assets	377,579	334,778

Other Summarised Information

	United Overseas Insurance Limited	
	2017 \$'000	2016 \$'000
Net cash flows from operations	21,939	15,091
Acquisition of property, plant and equipment	117	54

- (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 home loans transferred by the Bank to the CBG when certain conditions are met.

Notes to the Financial Statements

for the financial year ended 31 December 2017

30. Investment in Subsidiaries (continued)

(f) Interests in Unconsolidated Structured Entities

As at 31 December 2017, 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	
	2017	2016
	\$ million	\$ million
Total assets of structured entities ⁽¹⁾	18,009	14,662
Maximum exposure to loss – Investment in funds	323	253
Fee income	142	121
Net gain from investment securities	70	13

(1) Based on the latest available financial reports of the structured entities.

31. Movements of Allowance for Impairment on Investments and Other Assets

	Investment securities \$'000	Investment in associates and joint ventures \$'000	Other assets \$'000
The Group			
2017			
Balance at 1 January	152,911	18,043	146,371
Currency translation adjustments	(5,565)	135	1,107
Write-off/disposal	(2,380)	–	(1,824)
Net charge to income statement	4,050	–	31
Balance at 31 December	149,016	18,178	145,685
2016			
Balance at 1 January	237,829	18,179	264,671
Currency translation adjustments	1,502	(136)	1,452
Write-off/disposal	(20,535)	–	(11,823)
Net write-back to income statement	(65,885)	–	(107,929)
Balance at 31 December	152,911	18,043	146,371

31. Movements of Allowance for Impairment on Investments and Other Assets (continued)

	Investment securities \$'000	Investment in associates and joint ventures \$'000	Investment in subsidiaries \$'000	Other assets \$'000
The Bank				
2017				
Balance at 1 January	134,882	136,938	363,696	15,117
Currency translation adjustments	(5,880)	–	75,371	(6)
Write-off/disposal	(2,304)	–	(267,620)	(971)
Net charge/(write-back) to income statement	4,340	–	(40,066)	1
Transfer from subsidiary upon merger	–	153	–	–
Reclassification	–	(153)	–	153
Balance at 31 December	131,038	136,938	131,381	14,294
2016				
Balance at 1 January	201,174	36,675	354,614	14,685
Currency translation adjustments	1,684	–	4	27
Write-off/disposal	(199)	–	–	(94)
Net (write-back)/charge to income statement	(67,777)	100,263	9,078	499
Balance at 31 December	134,882	136,938	363,696	15,117

32. Investment Properties

	The Group		The Bank	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at 1 January	1,104,910	1,108,450	1,161,937	1,174,084
Currency translation adjustments	(5,421)	(6,443)	(358)	211
Additions	27,010	50,530	24	–
Transfer from subsidiary upon merger	–	–	4,648	–
Disposals	(1,294)	(709)	(1,294)	(709)
Depreciation charge	(23,104)	(23,193)	(16,065)	(16,340)
Transfers	(13,792)	(23,725)	(30,130)	4,691
Balance at 31 December	1,088,309	1,104,910	1,118,762	1,161,937
Represented by:				
Cost	1,406,615	1,409,834	1,373,236	1,399,932
Accumulated depreciation	(318,306)	(304,924)	(254,474)	(237,995)
Net carrying amount	1,088,309	1,104,910	1,118,762	1,161,937
Freehold property	400,238	393,329	720,187	753,294
Leasehold property	688,071	711,581	398,575	408,643
Balance at 31 December	1,088,309	1,104,910	1,118,762	1,161,937
Fair Value hierarchy				
Level 2	330,967	297,465	290,535	267,943
Level 3	3,094,032	3,050,600	2,393,361	2,422,167
Market Value	3,424,999	3,348,065	2,683,896	2,690,110

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32. 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.

33. Fixed Assets

	2017			2016		
	Owner-occupied properties	Others	Total	Owner-occupied properties	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Group						
Balance at 1 January	931,528	953,355	1,884,883	927,030	811,577	1,738,607
Currency translation adjustments	(6,400)	(5,334)	(11,734)	(4,491)	3,346	(1,145)
Additions	11,722	310,661	322,383	9,391	322,932	332,323
Disposals	–	(1,735)	(1,735)	(2,856)	(7,260)	(10,116)
Depreciation charge	(34,618)	(200,549)	(235,167)	(21,271)	(177,240)	(198,511)
Allowance for impairment	(1,577)	–	(1,577)	–	–	–
Transfers	13,792	–	13,792	23,725	–	23,725
Balance at 31 December	914,447	1,056,398	1,970,845	931,528	953,355	1,884,883
Represented by:						
Cost	1,219,174	2,428,709	3,647,883	1,214,850	2,234,253	3,449,103
Accumulated depreciation	(302,890)	(1,372,311)	(1,675,201)	(283,067)	(1,280,898)	(1,563,965)
Allowance for impairment	(1,837)	–	(1,837)	(255)	–	(255)
Net carrying amount	914,447	1,056,398	1,970,845	931,528	953,355	1,884,883
Freehold property	450,594			452,423		
Leasehold property	463,853			479,105		
	914,447			931,528		
Fair Value hierarchy						
Level 2	494,007			426,758		
Level 3	2,763,241			2,710,178		
Market Value	3,257,248			3,136,936		

33. Fixed Assets (continued)

	2017			2016		
	Owner-occupied properties	Others	Total	Owner-occupied properties	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Bank						
Balance at 1 January	675,921	634,286	1,310,207	692,453	540,224	1,232,677
Currency translation adjustments	(6)	(1,069)	(1,075)	74	55	129
Additions	4	221,182	221,186	–	212,426	212,426
Transfer from subsidiary upon merger	101	572	673	–	–	–
Disposals	–	(461)	(461)	(2,057)	(1,282)	(3,339)
Depreciation charge	(10,183)	(133,155)	(143,338)	(9,858)	(117,137)	(126,995)
Transfers	30,130	–	30,130	(4,691)	–	(4,691)
Balance at 31 December	695,967	721,355	1,417,322	675,921	634,286	1,310,207
Represented by:						
Cost	863,936	1,577,794	2,441,730	821,257	1,420,736	2,241,993
Accumulated depreciation	(167,969)	(856,439)	(1,024,408)	(145,336)	(786,450)	(931,786)
Net carrying amount	695,967	721,355	1,417,322	675,921	634,286	1,310,207
Freehold property	597,375			580,879		
Leasehold property	98,592			95,042		
	695,967			675,921		
Fair Value hierarchy						
Level 2	196,550			224,050		
Level 3	1,853,554			1,659,679		
Market Value	2,050,104			1,883,729		

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.

Others comprise mainly computer equipment, application software and furniture and fittings.

Notes to the Financial Statements

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34. Intangible Assets

(a)

	Goodwill			
	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	4,151,045	4,143,825	3,181,819	3,181,819
Currency translation adjustments	(9,126)	7,220	–	–
Balance at 31 December	4,141,919	4,151,045	3,181,819	3,181,819
Represented by:				
Cost	4,141,919	4,151,045	3,181,819	3,181,819
Accumulated impairment	–	–	–	–
Net carrying amount	4,141,919	4,151,045	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 currency, 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	
	2017	2016	2017	2016
Singapore	7.33	10.50	2.50	2.38
Thailand	8.65	12.00	2.95	3.10
Indonesia	9.46	12.75	5.46	5.58

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.

35. 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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Direct credit substitutes	6,555,412	5,226,349	2,979,908	3,155,996
Transaction-related contingencies	10,068,034	9,361,937	6,547,397	6,133,042
Trade-related contingencies	9,774,822	10,010,868	7,971,348	8,259,873
Others	17,175	17,510	1,082	1,179
	26,415,443	24,616,664	17,499,735	17,550,090

36. 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 43.

- (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.

	2017			2016		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
The Group						
Foreign exchange contracts						
Forwards	57,089,144	1,692,362	1,585,292	48,811,188	984,186	1,038,627
Swaps	295,707,799	1,311,145	1,377,091	186,619,939	2,387,083	1,971,593
Options purchased	7,453,209	108,866	–	10,534,271	182,131	–
Options written	12,731,137	–	69,346	13,122,827	–	224,038
Interest rate contracts						
Swaps	559,022,084	2,383,806	2,234,337	533,198,638	2,977,150	3,225,694
Futures	7,184,895	3,966	285	1,267,163	1,154	2,903
Options purchased	979,639	2,465	–	695,377	4,987	–
Options written	1,026,906	–	1,023	752,119	–	4,923
Equity-related contracts						
Swaps	659,941	5,451	7,029	512,863	17,875	16,747
Options purchased	4,998,588	67,363	–	5,130,036	139,445	–
Options written	5,983,383	–	72,079	5,932,079	–	135,892
Credit-related contracts						
Swaps	2,013,033	32,550	9,127	1,187,594	31,416	13,881
Others						
Forwards	101,811	249	40	889,816	7,634	7,262
Swaps	5,111,805	91,781	136,650	3,612,048	172,938	109,615
Futures	1,604,518	78,780	38,190	2,262,598	74,777	85,748
Options purchased	95,476	2,131	–	85,735	770	–
Options written	117,020	–	259	35,500	–	185
	961,880,388	5,780,915	5,530,748	814,649,791	6,981,546	6,837,108

Notes to the Financial Statements

for the financial year ended 31 December 2017

36. Financial Derivatives

(a) (continued)

	2017			2016		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
The Bank						
Foreign exchange contracts						
Forwards	45,886,801	476,966	357,813	44,415,096	544,775	631,013
Swaps	177,004,517	1,209,692	1,247,648	145,370,380	2,297,201	1,850,786
Options purchased	4,789,311	100,535	–	7,643,433	163,881	–
Options written	4,738,057	–	92,019	8,905,657	–	147,561
Interest rate contracts						
Swaps	526,959,865	2,219,569	2,097,392	498,163,783	2,755,677	2,980,221
Futures	6,873,526	3,912	285	985,109	1,074	2,898
Options purchased	979,639	2,465	–	695,377	4,987	–
Options written	1,026,906	–	1,023	752,119	–	4,923
Equity-related contracts						
Swaps	635,849	4,707	5,548	445,659	4,001	3,719
Options purchased	4,986,543	67,391	–	5,103,435	138,690	–
Options written	6,007,061	–	71,014	5,904,768	–	136,263
Credit-related contracts						
Swaps	2,013,033	32,550	9,127	1,187,594	31,416	13,881
Others						
Forwards	26,648	42	53	581,694	6,906	6,816
Swaps	4,541,727	86,029	120,701	3,389,082	161,244	97,376
Futures	1,402,426	77,335	38,135	2,024,052	74,499	85,417
Options purchased	56,095	1,905	–	46,647	228	–
Options written	73,912	–	1,904	3,257	–	185
	788,001,916	4,283,098	4,042,662	725,617,142	6,184,579	5,961,059

36. Financial Derivatives (continued)

(b) Financial Derivatives Subject to Netting Agreements

The Bank and the Group enter into derivative master netting agreements (including 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.

	2017		2016	
	Positive fair value \$'000	Negative fair value \$'000	Positive fair value \$'000	Negative fair value \$'000
The Group				
Gross/net carrying amount on the balance sheet ⁽¹⁾	5,780,915	5,530,748	6,981,546	6,837,108
Amount not subject to netting agreements	(1,169,520)	(623,810)	(404,179)	(406,328)
Amount subject to netting agreements	4,611,395	4,906,938	6,577,367	6,430,780
Amount nettable ⁽²⁾	(2,950,993)	(2,950,993)	(4,286,387)	(4,286,387)
Financial collateral	(303,384)	(436,825)	(393,919)	(968,620)
Net amounts	1,357,018	1,519,120	1,897,061	1,175,773
The Bank				
Gross/net carrying amount on the balance sheet ⁽¹⁾	4,283,098	4,042,662	6,184,579	5,961,059
Amount not subject to netting agreements	(1,145,318)	(575,768)	(262,437)	(278,085)
Amount subject to netting agreements	3,137,780	3,466,894	5,922,142	5,682,974
Amount nettable ⁽²⁾	(2,808,404)	(2,808,404)	(4,169,592)	(4,169,592)
Financial collateral	(202,104)	(279,790)	(358,285)	(660,376)
Net amounts	127,272	378,700	1,394,265	853,006

(1) There was no amount that met the offsetting criteria as at the balance sheet date.

(2) Amount that could be netted under the netting agreements.

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37. Hedge Accounting

(a) 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 (2016: gain of \$5 million) at the Bank and a loss of \$18 million (2016: gain of \$5 million) at the Group. During the financial year, fair value losses of \$24 million (2016: gains of \$58 million) and fair value losses of \$23 million (2016: gains of \$60 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 (2016: \$497 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, foreign exchange gains of \$29 million (2016: losses of \$4 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 (2016: gain) on the hedged items.

The ineffectiveness arising from these hedges was insignificant.

(b) Cash Flow Hedges

There were no cash flow hedges as at 31 December 2017 and during the year. For the financial year 2016, a net loss of \$34 million was recognised in the cash flow hedge reserve and a loss of \$33 million was reclassified from the reserve to income statement.

(c) Hedges of Net Investment In Foreign Operations

As at 31 December 2017, customer deposits of \$2,399 million (2016: \$2,189 million) were designated to hedge foreign exchange risk arising from the Group's foreign operations. During the financial year, no foreign exchange gain or loss (2016: losses of \$2 million) arising from hedge ineffectiveness was recognised in the Group's income statements.

38. Commitments

(a)

	The Group		The Bank	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Undrawn credit facilities	130,346,862	132,341,650	108,400,882	112,764,992
Spot/forward contracts	2,070,200	845,156	2,182,292	917,491
Capital commitments	264,419	142,597	126,929	71,224
Operating lease commitments ⁽¹⁾	214,612	235,216	150,296	177,216
Others	3,767,667	2,890,382	3,306,134	2,427,930
	136,663,760	136,455,001	114,166,533	116,358,853

(1) Prior year comparatives have been restated to conform with current year's presentation.

(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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Minimum lease payable				
Within 1 year	94,442	88,474	61,509	61,495
Over 1 to 5 years	116,501	141,614	86,141	110,875
Over 5 years	3,669	5,128	2,646	4,846
	214,612	235,216	150,296	177,216
Minimum lease receivable				
Within 1 year	95,065	111,395	80,481	93,019
Over 1 to 5 years	151,938	200,387	126,585	170,924
Over 5 years	2,292	11,316	364	8,186
	249,295	323,098	207,430	272,129

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39. Cash and Cash Equivalents

Cash equivalents are highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible into a known amount of cash. Cash and cash equivalents in the consolidated cash flow statement comprise the following:

	The Group	
	2017	2016
	\$'000	\$'000
Cash on hand	2,271,204	2,242,035
Non-restricted balances with central banks	18,704,078	16,158,785
	20,975,282	18,400,820

40. Share-Based Compensation Plans

Share-based compensation plans of the Group comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan.

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.

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.

For grants made in the years 2014 to 2016, 30 per cent of the award granted will vest after two years, subject to the achievement of the two-year return on equity (ROE) targets. The remaining 70 per cent will vest after three years, subject to the achievement of three-year ROE targets. The vesting levels are shown below:

Percentage of ROE target achieved	Percentage of award to be vested for grants made in 2014 to 2016*
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

* 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. From the 2017 grant onwards, the vesting of the first and second tranche 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 Committee.

40. Share-Based Compensation Plans (continued)

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the Remuneration Committee.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the Plans shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plans only allow 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 and The Bank	
	Restricted shares	
	2017	2016
	'000	'000
Balance at 1 January	5,808	4,086
Granted	2,327	2,800
Forfeited/cancelled	(491)	(205)
Vested	(1,509)	(873)
Balance at 31 December	6,135	5,808

	Share appreciation rights	
	2017	2016
	'000	'000
Balance at 1 January	–	1,946
Forfeited/cancelled	–	(209)
Vested	–	(1,737)
Balance at 31 December	–	–

	Exercisable rights			
	2017		2016	
	Number of options '000	Weighted average exercise price (\$)	Number of options '000	Weighted average exercise price (\$)
Balance at 1 January	6,516	19.36	6,408	18.92
Vested	–	–	1,737	20.43
Forfeited/lapsed	(24)	18.13	(46)	19.61
Exercised	(4,656)	19.06	(1,583)	18.74
Balance at 31 December	1,836	20.15	6,516	19.36

At 31 December 2017, the weighted average remaining contractual life of outstanding exercisable SAR was 1.7 years (2016: 2.3 years) and the exercise price ranges from \$19.63 to \$20.43. The total intrinsic value of the outstanding exercisable SAR was \$11.6 million (2016: \$6.9 million).

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40. Share-Based Compensation Plans (continued)

Year granted	Expiry date	Fair value per grant at grant date \$	Number of outstanding grants	
			2017 '000	2016 '000
Restricted shares				
2014	19 Sep 2016 and 19 Sep 2017	20.70	–	1,194
2015	4 May 2017 and 4 May 2018	22.57 and 18.83	1,243	1,859
2016	3 May 2018 and 3 May 2019	17.06 and 17.24	2,626	2,755
2017	11 May 2019 and 11 May 2020	21.50 and 23.00	2,266	–
			6,135	5,808

Fair values of the restricted shares were estimated at the grant date using the Trinomial valuation methodology. Since 2014, no share appreciation right has been granted as an instrument for share-based compensation. The key assumptions were as follows:

Year granted	Restricted shares			
	2017		2016	
	1 st grant	2 nd grant	1 st grant	2 nd grant
Exercise price (\$)	Not applicable			
Expected volatility (%) ⁽¹⁾	16.92	16.61	16.29	16.96
Risk-free interest rate (%)	1.22 – 1.33	1.65 – 1.75	1.02 – 1.20	0.88 – 0.93
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 policy			

(1) Based on the past three years' historical volatility.

41. 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:

	The Group		The Bank	
	2017 \$ million	2016 \$ million	2017 \$ million	2016 \$ million
(a) Interest income				
Subsidiaries	–	–	199	146
Associates and joint ventures	8	8	8	8
Interest expense				
Subsidiaries	–	–	133	121
Associates and joint ventures	6	5	5	3
Dividend income				
Subsidiaries	–	–	137	147
Associates and joint ventures	–	–	16	23
Rental income				
Subsidiaries	–	–	4	5
Rental and other expenses				
Subsidiaries	–	–	108	140
Associates and joint ventures	14	8	12	4
Fee and commission and other income				
Subsidiaries	–	–	149	120
Associates and joint ventures	6	7	4	3
Placements, securities, loans and advances				
Subsidiaries	–	–	12,877	9,847
Associates and joint ventures	524	489	524	489
Deposits				
Subsidiaries	–	–	6,505	7,239
Associates and joint ventures	1,273	967	1,187	894
Off-balance sheet credit facilities ⁽¹⁾				
Subsidiaries	–	–	286	327
Associates and joint ventures	11	23	11	23

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41. Related Party Transactions (continued)

	The Group		The Bank	
	2017	2016	2017	2016
	\$ million	\$ million	\$ million	\$ million
(b) Compensation of key management personnel				
Short-term employee benefits	16	13	16	13
Long-term employee benefits	6	5	6	5
Share-based payment	4	3	4	3
Others	*	*	*	*
	26	21	26	21

(1) Includes guarantees issued by the Group of \$11 million (2016: \$23 million) and the Bank of \$241 million (2016: \$256 million).

* Less than \$500,000.

42. 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.

42. Segment Information (continued)

(a) Operating Segments (continued)

Selected Income Statement Items

	The Group				
	GR \$ million	GWB \$ million	GM \$ million	Others \$ million	Total \$ million
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 year					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 year					3,108
Other information					
Capital expenditure	32	27	13	311	383
Depreciation of assets	18	9	5	190	222

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42. Segment Information (continued)

(a) Operating Segments (continued)

Selected Balance Sheet Items	The Group				
	GR \$ million	GWB \$ million	GM \$ million	Others \$ million	Total \$ million
2017					
Segment assets	103,809	161,256	59,026	29,165	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	105,125	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
2016					
Segment assets	97,788	153,258	48,455	35,267	334,768
Intangible assets – goodwill	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:

- Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
- Comparative segment information for prior year has been adjusted for changes in organisation structure and management reporting methodology.

(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 operating income		Profit before tax		Total assets	
	2017 \$ million	2016 \$ million	2017 \$ million	2016 \$ million	2017 \$ million	2016 \$ million
Singapore	5,090	4,590	2,491	2,364	217,979	210,937
Malaysia	1,014	986	581	548	35,373	33,845
Thailand	933	830	218	193	20,988	18,031
Indonesia	468	476	29	71	9,105	9,840
Greater China	757	648	419	300	46,298	40,233
Others	589	531	469	301	24,707	22,991
	8,851	8,061	4,207	3,777	354,450	335,877
Intangible assets	–	–	–	–	4,142	4,151
	8,851	8,061	4,207	3,777	358,592	340,028

43. 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.

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 Management and Group Product Control and Governance 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 fulfil its financial obligations when such obligations fall due.

The Group Credit Committee supports the CEO and Board Credit Committee to oversee all credit matters. It maintains oversight of the effectiveness of the Group's credit and country risk management structure including framework, people, processes, information, infrastructure, methodologies and systems.

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, credit review and audit are performed regularly to manage proactively any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure compliance with credit policies and procedures. Past due amounts and credit limit excesses are tracked and analysed by business and product lines.

Country risk arises where the Group is unable to receive payments from customers as a result of political or economic events in the country. These events include political and social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, and currency depreciation or devaluation.

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43. 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⁾	2017	2016
	2017	2016	2017	2016
	\$ million	\$ million	\$ million	\$ million
Balances and placements with central banks	25,458	26,550	24,354	22,080
Singapore Government treasury bills and securities	4,649	6,667	4,267	6,877
Other government treasury bills and securities	10,606	11,759	11,709	10,638
Trading debt securities	1,752	2,763	1,585	2,982
Placements and balances with banks	47,509	35,096	52,181	40,033
Loans to customers	227,795	212,305	232,212	221,734
Derivative financial assets	5,528	6,195	5,781	6,982
Investment debt securities	8,366	8,468	8,076	8,779
Others	3,179	5,041	3,017	3,872
	334,842	314,844	343,182	323,977
Contingent liabilities	25,112	21,845	26,398	24,599
Commitments (excluding operating lease and capital commitments)	135,702	136,431	136,185	136,077
	495,656	473,120	505,765	484,653

(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. Most of our collaterals are properties; other types of collateral taken by the Group include cash, marketable securities, equipment, inventory 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 (ISDA) Master Agreements, the Credit Support Annex (CSA) and the Global Master Repurchase Agreements (GMRA). 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 (CCP), where possible, to reduce counterparty credit exposure further through multilateral netting & daily margining processes.

43. 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				
	Loans to customers (gross) \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	Total \$ million
Analysed by geography					
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
2016					
Singapore	125,529	6,877	1,326	1,851	135,583
Malaysia	25,767	1,265	1,955	1,402	30,389
Thailand	13,226	2,970	1,285	37	17,518
Indonesia	11,857	875	1,860	25	14,617
Greater China	27,232	1,932	18,007	990	48,161
Others	22,051	3,596	15,600	7,456	48,703
Total	225,662	17,515	40,033	11,761	294,971

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43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) (continued)

	The Group				Total \$ million
	Loans to customers (gross) \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	
Analysed by industry					
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
2016					
Transport, storage and communication	9,780	–	–	1,501	11,281
Building and construction	52,281	–	–	359	52,640
Manufacturing	15,747	–	–	2,153	17,900
Financial institutions, investment and holding companies	15,519	–	40,033	4,229	59,781
General commerce	30,269	–	–	1,017	31,286
Professionals and private individuals	26,950	–	–	–	26,950
Housing loans	61,451	–	–	–	61,451
Government	–	17,515	–	–	17,515
Others	13,665	–	–	2,502	16,167
Total	225,662	17,515	40,033	11,761	294,971

43. 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			
	2017		2016	
	Contingent liabilities \$ million	Commitments ⁽¹⁾ \$ million	Contingent liabilities \$ million	Commitments ⁽¹⁾ \$ million
Analysed by geography				
Singapore	12,917	72,176	11,806	71,928
Malaysia	2,825	12,734	2,691	12,097
Thailand	1,404	11,066	1,206	10,120
Indonesia	909	5,232	1,140	5,542
Greater China	3,476	20,140	3,534	22,733
Others	4,867	14,837	4,222	13,657
Total	26,398	136,185	24,599	136,077
Analysed by industry				
Transport, storage and communication	1,275	5,891	817	4,381
Building and construction	6,925	23,046	6,660	23,886
Manufacturing	2,446	17,791	2,347	18,999
Financial institutions, investment and holding companies	5,873	14,337	4,186	12,637
General commerce	8,428	37,601	8,765	41,904
Professionals and private individuals	168	21,495	138	19,776
Housing loans	–	3,677	–	4,441
Others	1,283	12,347	1,686	10,053
Total	26,398	136,185	24,599	136,077

(1) Excluding operating lease and capital commitments.

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for the financial year ended 31 December 2017

43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iv) Credit Quality of Gross Loans and Debt Securities

Gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group	
	2017	2016
	\$ million	\$ million
Pass	229,703	218,995
Special mention	2,114	3,339
Substandard	2,394	2,132
Doubtful	110	241
Loss	1,707	955
	236,028	225,662

Credit quality of government treasury bills and securities and debt securities

The table below presents an analysis of 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					
	2017			2016		
	Singapore Government treasury bills and securities	Other government treasury bills and securities	Debt securities	Singapore Government treasury bills and securities	Other government treasury bills and securities	Debt securities
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
External rating:						
Investment grade (AAA to BBB-)	4,267	11,691	7,649	6,877	10,617	10,522
Non-investment grade (BB+ to C)	–	6	269	–	3	32
Unrated	–	12	1,743	–	18	1,207
Total	4,267	11,709	9,661	6,877	10,638	11,761

43. 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⁾				
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
2016				
Singapore	1,571	639	386	2,596
Malaysia	741	196	83	1,020
Thailand	469	83	40	592
Indonesia	58	71	70	199
Greater China	32	16	14	62
Others	208	38	19	265
Total	3,079	1,043	612	4,734

(1) By borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

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43. 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				
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
2016				
Transport, storage and communication	163	15	29	207
Building and construction	585	101	33	719
Manufacturing	247	52	32	331
Financial institutions, investment and holding companies	75	6	1	82
General commerce	780	104	83	967
Professionals and private individuals	475	256	149	880
Housing loans	600	478	281	1,359
Others	154	31	4	189
Total	3,079	1,043	612	4,734

43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vi) Ageing Analysis of Non-Performing Assets

	The Group					Specific allowance \$ million
	Current \$ million	< 90 days \$ million	90 – 180 days \$ million	> 180 days \$ million	Total \$ million	
Analysed by geography ⁽¹⁾						
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
2016						
Singapore	155	76	291	769	1,291	468
Malaysia	38	46	58	345	487	82
Thailand	30	44	53	233	360	134
Indonesia	25	103	53	457	638	208
Greater China	18	7	124	158	307	230
Others	12	4	35	194	245	97
Non-performing loans	278	280	614	2,156	3,328	1,219
Debt securities, contingent items and others	65	5	32	50	152	103
Total	343	285	646	2,206	3,480	1,322

(1) By borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

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43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vi) Ageing Analysis of Non-Performing Assets (continued)

	The Group					Specific allowance \$ million
	Current \$ million	< 90 days \$ million	90 – 180 days \$ million	> 180 days \$ million	Total \$ million	
Analysed by industry						
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
2016						
Transport, storage and communication	117	15	201	632	965	337
Building and construction	30	7	31	142	210	74
Manufacturing	6	19	39	252	316	162
Financial institutions, investment and holding companies	2	6	2	66	76	2
General commerce	28	20	35	368	451	189
Professionals and private individuals	56	59	45	124	284	70
Housing loans	20	74	81	443	618	100
Others	19	80	180	129	408	285
Non-performing loans	278	280	614	2,156	3,328	1,219
Debt securities, contingent items and others	65	5	32	50	152	103
Total	343	285	646	2,206	3,480	1,322

43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vii) Security Coverage of Non-Performing Assets

	The Group	
	2017	2016
	\$ million	\$ million
Non-performing assets secured by:		
Properties	1,771	1,177
Marketable securities, fixed deposits and others	487	663
Unsecured non-performing assets	2,131	1,640
	4,389	3,480

(viii) Repossessed Collateral during the Financial Year

	The Group	
	2017	2016
	\$ million	\$ million
Properties	2	5

Repossessed collaterals are disposed of in an orderly manner in accordance with target prices set. Proceeds from the sale of collaterals are used to reduce the outstanding loans.

(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 Management and Group Product Control and Governance.

At 31 December 2017, banking book foreign currency Value-at-Risk (VaR) inclusive of structural foreign currency VaR was \$52.4 million (2016: \$72.9 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 \$32 million (2016: \$30 million) higher/lower as a result of an increase/decrease in the fair value of equity investments classified as available-for-sale.

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43. 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	
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.

43. 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
2016							
Cash, balances and placements with central banks	9,097	1,942	4,405	405	1,276	7,197	24,322
Securities	8,793	10,074	1,756	2,995	529	8,135	32,282
Placements and balances with banks	850	29,673	740	1,165	193	7,412	40,033
Loans to customers	110,097	44,360	22,498	12,044	5,263	27,472	221,734
Investment in associates and joint ventures	884	158	4	–	–	63	1,109
Intangible assets	3,168	–	–	737	246	–	4,151
Derivative financial assets	2,754	2,025	206	372	(3)	1,628	6,982
Others	2,823	2,055	386	286	210	3,655	9,415
Total assets	138,466	90,287	29,995	18,004	7,714	55,562	340,028
Deposits and balances of customers	122,736	59,425	25,295	13,049	5,741	29,068	255,314
Deposits and balances of banks, and bills and drafts payable	1,963	5,462	191	406	5	4,350	12,377
Debts issued	1,852	21,750	324	523	282	1,412	26,143
Derivative financial liabilities	2,724	1,870	185	254	(3)	1,807	6,837
Others	1,919	2,713	616	282	95	690	6,315
Total liabilities	131,194	91,220	26,611	14,514	6,120	37,327	306,986
On-balance sheet open position ⁽¹⁾	7,272	(933)	3,384	3,490	1,594	18,235	

(1) Net on-balance sheet position without taking into account net contract or notional amount of foreign exchange derivatives.

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43. 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 were as follows:

	The Group		
	Total \$ million	Hedged \$ million	Unhedged \$ million
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
2016			
Chinese Renminbi	1,978	–	1,978
Indonesian Rupiah	1,318	–	1,318
Malaysian Ringgit	2,755	–	2,755
Thai Baht	2,678	–	2,678
US Dollar	1,859	1,859	–
Others	1,787	1,081	706
	12,375	2,940	9,435

(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 economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks was negative \$345 million and \$637 million (2016: negative \$210 million and \$372 million) respectively, computed based on the worst case of upward and downward parallel shifts of each yield curve. EVE is the present value of assets less present value of liabilities of the Group. 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. Loan prepayment is estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied, where appropriate, for deposits that do not have maturity dates. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

(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.

43. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

- (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	
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)	

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43. 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	
2016								
Cash, balances and placements with central banks	9,731	3,027	1,966	3,111	–	2,559	3,944	24,338
Securities	432	1,259	3,644	6,471	8,138	10,786	4,192	34,922
Placements and balances with banks	10,942	9,694	9,915	5,780	2,134	2,382	(661)	40,186
Loans to customers	11,225	29,465	14,601	32,393	52,331	119,802	(865)	258,952
Investment in associates and joint ventures	–	–	–	–	–	–	1,109	1,109
Intangible assets	–	–	–	–	–	–	4,151	4,151
Derivative financial assets	–	–	–	–	–	–	6,982	6,982
Others	488	83	106	147	3	6,498	2,093	9,418
Total assets	32,818	43,528	30,232	47,902	62,606	142,027	20,945	380,058
Deposits and balances of customers	122,723	35,393	33,382	52,008	8,239	3,262	1,761	256,768
Deposits and balances of banks, and bills and drafts payable	6,774	2,655	2,566	305	–	–	93	12,393
Debts issued	515	2,731	8,772	6,664	2,477	6,392	(170)	27,381
Derivative financial liabilities	–	–	–	–	–	–	6,837	6,837
Others	1,163	884	670	661	86	860	1,991	6,315
Total liabilities	131,175	41,663	45,390	59,638	10,802	10,514	10,512	309,694
Equity attributable to:								
Equity holders of the Bank	108	21	–	74	1,499	8,458	23,002	33,162
Non-controlling interests	–	–	–	–	–	2	167	169
Total equity	108	21	–	74	1,499	8,460	23,169	33,331
Net on-balance sheet position	(98,465)	1,844	(15,158)	(11,810)	50,305	123,053	(12,736)	
Net off-balance sheet position	(55,775)	(181)	(961)	64	(1,174)	(3,819)	(1,275)	
Net maturity mismatch	(154,240)	1,663	(16,119)	(11,746)	49,131	119,234	(14,011)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 35 and 38a. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2017 and 2016. 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 43d(ii).

43. 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
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.

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43. 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
2016				
Cash, balances and placements with central banks	9,861	3,017	1,869	3,088
Securities	532	1,309	3,644	6,413
Placements and balances with banks	10,945	9,704	9,929	5,791
Loans to customers	10,837	30,714	16,275	36,915
Others	488	83	106	147
Total assets	32,663	44,827	31,823	52,354
Deposits and balances of customers ⁽¹⁾	19,394	27,640	12,766	8,299
Deposits and balances of banks, and bills and drafts payable	6,709	2,720	2,566	305
Debts issued	515	2,731	8,772	6,664
Others	1,163	884	670	661
Total liabilities	27,781	33,975	24,774	15,929
Equity attributable to:				
Equity holders of the Bank	108	21	–	74
Non-controlling interests	–	–	–	–
Total equity	108	21	–	74
Net on-balance sheet position	4,774	10,831	7,049	36,351
Net off-balance sheet position	(19,263)	(5,767)	(4,586)	(4,404)
Net maturity mismatch	(14,489)	5,064	2,463	31,947

(1) Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

43. 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
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
2016				
Interest rate	3.35	15.42	2.67	6.90
Foreign exchange	6.99	11.99	1.61	5.18
Equity	3.46	4.38	0.03	3.42
Commodity	0.24	1.38	0.17	0.48
Specific risk ⁽¹⁾	0.40	1.05	0.12	0.37
Total VaR	9.90	19.69	5.73	11.52

(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.

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44. 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, have 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	
	2017	2016
	\$ million	\$ million
Share capital	4,792	4,257
Disclosed reserves/others	28,922	26,384
Regulatory adjustments	(3,580)	(2,685)
Common Equity Tier 1 capital	30,134	27,956
Perpetual capital securities/others	2,976	2,096
Regulatory adjustments	(890)	(1,772)
Additional Tier 1 capital	2,086	324
Tier 1 capital	32,220	28,280
Subordinated notes	4,150	5,546
Provisions/others	983	1,122
Regulatory adjustments	(5)	(22)
Tier 2 capital	5,128	6,646
Eligible total capital	37,348	34,926
Risk-weighted assets	199,481	215,559
Capital adequacy ratios (%)		
Common Equity Tier 1	15.1	13.0
Tier 1	16.2	13.1
Total	18.7	16.2

45. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 13 February 2018.

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

31 December 2017

Investor Reference

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Statistics of Shareholdings

as at 1 March 2018

Distribution of Shareholdings*

Size of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%
1 – 99	5,132	16.37	178,115	0.01
100 – 1,000	9,516	30.34	5,352,526	0.32
1,001 – 10,000	13,950	44.48	42,016,879	2.53
10,001 – 1,000,000	2,720	8.67	119,817,407	7.21
1,000,001 and above	44	0.14	1,495,048,614	89.93
Total	31,362	100.00	1,662,413,541	100.00

* The information in this table does not take into account the 148,505 shares purchased by the Company from the market between 27 February 2018 and 1 March 2018 and held as treasury shares.

Treasury Shares, Subsidiary Holdings and Public Float

As at 1 March 2018, the Company had 9,269,237 treasury shares, constituting 0.55% 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 1 March 2018, approximately 76% of the issued shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has 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	311,152,300	18.72
DBS Nominees (Private) Limited	295,510,807	17.78
United Overseas Bank Nominees (Private) Limited	148,298,454	8.92
Wee Investments (Pte) Limited	130,420,205	7.85
DBSN Services Pte. Ltd.	126,459,964	7.61
HSBC (Singapore) Nominees Pte Ltd	90,358,956	5.44
Wah Hin and Company Private Limited	85,988,870	5.17
Tai Tak Estates Sendirian Berhad	68,668,000	4.13
UOB Kay Hian Private Limited	42,541,634	2.56
C Y Wee & Co Pte Ltd	36,971,518	2.22
Raffles Nominees (Pte) Limited	35,554,978	2.14
BPSS Nominees Singapore (Pte.) Ltd.	21,358,938	1.28
Wee Cho Yaw	21,136,589	1.27
Tee Teh Sdn Berhad	10,600,487	0.64
UOB Nominees (2006) Private Limited	8,981,224	0.54
DB Nominees (Singapore) Pte Ltd	6,040,614	0.36
CGS-CIMB Securities (Singapore) Pte. Ltd.	4,594,368	0.28
SG Investments Pte Ltd	4,456,021	0.27
Sat Pal s/o I D Khattar, Chew Hwee Ming and Jerry Lee Kian Eng	3,320,361	0.20
Wee Ee Cheong	3,056,455	0.18
Total	1,455,470,743	87.56

** Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares, of the Company.

Statistics of Shareholdings

as at 1 March 2018

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 are 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	5.20
Lien Ying Chow Private Limited	–	85,999,165 ⁽¹⁾	85,999,165	5.17
Wah Hin and Company Private Limited	85,988,870	10,295 ⁽²⁾	85,999,165	5.17
Sandstone Capital Pte. Ltd.	10,295	85,988,870 ⁽³⁾	85,999,165	5.17
Wee Cho Yaw	21,136,589	280,960,582 ⁽⁴⁾	302,097,171	18.17
Wee Ee Cheong	3,056,455	169,945,806 ⁽⁴⁾	173,002,261	10.41
Wee Ee Chao	160,231	134,963,884 ⁽⁴⁾	135,124,115	8.13
Wee Ee Lim	1,831,903	169,572,997 ⁽⁴⁾	171,404,900	10.31
Wee Investments (Pte) Limited	130,420,042	194,119	130,614,161	7.86

[^] Percentage is calculated based on the total number of issued shares, excluding treasury shares, of the Company.

Notes:

- (1) Estate of Lien Ying Chow, deceased and Lien Ying Chow Private Limited are each deemed to have an interest in the 85,999,165 UOB shares in which Wah Hin and Company Private Limited has an interest.
- (2) Wah Hin and Company Private Limited is deemed to have an interest in the 10,295 UOB shares held by Sandstone Capital Pte. Ltd.
- (3) Sandstone Capital Pte. Ltd. is deemed to have an interest in the 85,988,870 UOB shares held by Wah Hin and Company Private Limited.
- (4) Wee Cho Yaw, Wee Ee Cheong, Wee Ee Chao and Wee Ee Lim are each deemed to have an interest in Wee Investments (Pte) Limited's total direct and deemed interests of 130,614,161 UOB shares.

Five-Year Ordinary Share Capital Summary

Year	Particulars	Number of ordinary shares		
		Issued	Held in treasury	In circulation
2013	Balance at beginning of year	1,590,493,941	(15,733,345)	1,574,760,596
	Shares issued under share-based compensation plans		1,663,957	
	Balance at end of year	1,590,493,941	(14,069,388)	1,576,424,553
2014	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

International Network

Banking

Singapore

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624
Phone: (65) 6222 2121
Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: www.UOBgroup.com

United Overseas Bank Limited has 58 branches in Singapore.

Australia

UOB Sydney Branch
32 Martin Place
Level 9, United Overseas Bank Building
Sydney NSW 2000
Phone: (61)(2) 9221 1924
Fax: (61)(2) 9221 1541
SWIFT: UOVBAU2S
Email: UOB.Sydney@UOBgroup.com
Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo

UOB Melbourne Office

350 Collins Street, Level 7
Melbourne VIC 3000
Phone: (61)(3) 9642 4808
Fax: (61)(3) 9642 4877
Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo
State Manager: Geoff Luxton

UOB Brisbane Office

71 Eagle Street
Level 34, Riparian Plaza
Brisbane QLD 4000
Phone: (61)(7) 3229 1188
Fax: (61)(7) 3229 1188
Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo
State Manager: Gregory Thompson

Brunei

UOB Brunei Branch
Lot 54989, Kampong Kiarong
Units 10 and 11, Bangunan D'Amin Jaya
Bandar Seri Begawan BE1318
Phone: (673) 222 5477/222 2210/
222 0380
Fax: (673) 224 0792
SWIFT: UOVBBNBB
Email: AbdulRazak.AbdulMalek@UOBgroup.com
Country Manager:
Abdul Razak Abdul Malek

Canada

UOB Vancouver Branch
650 West Georgia Street, Suite 2400
Vancouver, British Columbia
Canada V6B 4N9
Phone: (1)(604) 662 7055
Fax: (1)(604) 662 3356
SWIFT: UOVBCA8V
Email: UOB.Vancouver@UOBgroup.com
Country Manager: John Gleason

UOB Toronto Office

120 Adelaide Street West, Suite 2500
Toronto, Ontario
Canada M5H 1T1
Phone: (1)(416) 644 1208
Fax: (1)(416) 367 1954
Country Manager: John Gleason

UOB Calgary Office

144 – 4 Avenue SW, Suite 1600
Calgary, Alberta
Canada T2P 3N4
Phone: (1)(587) 702 5800
Fax: (1)(403) 716 3637
Country Manager: John Gleason
Manager: Tan Yee Ho

China

United Overseas Bank (China) Limited
(a subsidiary)
116 – 128 Yincheng Road
Pudong New Area
Shanghai 200120
Phone: (86)(21) 6061 8888
Fax: (86)(21) 6886 0908
SWIFT: UOVBCNSH
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 17 branches/sub-branches in China.

Hong Kong S.A.R.

UOB Main Branch
3 Garden Road, 23rd Floor
Central, Hong Kong S.A.R.
Phone: (852) 2910 8888
Fax: (852) 2910 8899
SWIFT: UOVBHKHH
Email: UOB.HongKong@UOBgroup.com
Chief Executive Officer:
Christine Yeung See Ming

UOB Kwun Tong Branch

418 Kwun Tong Road
16th Floor, Units 1-2A, 11-13 and 15-16
Millennium City 5, Kwun Tong
Kowloon, Hong Kong S.A.R.
Phone: (852) 2123 7588
Fax: (852) 2123 7589
Email: UOB.HongKong@UOBgroup.com
Chief Executive Officer:
Christine Yeung See Ming

UOB Tsim Sha Tsui Branch

21/F, Suites 2110-13
Tower 6, The Gateway, Harbour City
Tsim Sha Tsui, Kowloon, Hong Kong S.A.R.
Phone: (852) 3970 7702
Fax: (852) 3970 7799
Email: UOB.HongKong@UOBgroup.com
Chief Executive Officer:
Christine Yeung See Ming

India

UOB Mumbai Branch

3 North Avenue, Maker Maxity Bandra (East)
3rd Floor, Units 31, 32 and 37
'C' Wing Bandra – Kurla Complex
Mumbai 400 051
Phone: (91)(22) 4247 2828/2829
Fax: (91)(22) 2659 1022
SWIFT: UOVBINBB
Email: UOB.Mumbai@UOBgroup.com
Country Manager: PV Ananthkrishnan

International Network

Indonesia

UOB Jakarta Representative Office

No. 10, Jalan M.H. Thamrin
38th Floor, UOB Plaza
Jakarta Pusat 10230
Phone: (62)(21) 2993 7317
Fax: (62)(21) 2993 7318
Chief Representative: Utami Dewi Suhadi

PT Bank UOB Indonesia

(a subsidiary)

No. 10, Jalan M.H. Thamrin
UOB Plaza
Jakarta Pusat 10230
Phone: (62)(21) 2350 6000
Fax: (62)(21) 2993 6632
SWIFT: BBIJIDJA

Website: www.UOB.co.id

President Director: Kevin Lam Sai Yoke

Deputy President Director:

Iwan Satawidinata

PT Bank UOB Indonesia has 178 branches in Indonesia.

Japan

UOB Tokyo Branch

2-11-1 Nagatacho, Chiyoda-ku
13F, Sanno Park Tower
Tokyo 100-6113, Japan
Phone: (81)(3) 3596 7200
Fax: (81)(3) 3596 7201
SWIFT: UOVBJPJ
Email: UOB.Tokyo@UOBgroup.com
Country Manager: Ho Chai Seng

Malaysia

United Overseas Bank Limited Labuan Branch

Level 6A, Main Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Labuan F.T., Malaysia
Phone: (60)(87) 424 388
Fax: (60)(87) 424 389
Swift: UOVBM2L
Email: my2icom@UOBgroup.com
Branch Manager: Jeannie Lew Siew Yen

United Overseas Bank (Malaysia) Bhd

(a subsidiary)

Jalan Raja Laut, Menara UOB
P.O. Box 11212
50738 Kuala Lumpur, Malaysia
Phone: (60)(3) 2692 7722
Fax: (60)(3) 2691 0281
SWIFT: UOVBM2L

Email: UOBcustomerservice@UOB.com.my

Website: www.UOB.com.my

Chief Executive Officer: Wong Kim Choong

United Overseas Bank (Malaysia) Bhd has 45 branches in Malaysia.

Myanmar

UOB Yangon Branch

Unit #01-L-1, Park Royal Hotel
Yaw Min Gyi Street
Dagon Township
Yangon, Myanmar
Phone: (95)(1) 255 708
Fax: (95)(1) 253 318
SWIFT: UOVBM2L
Email: Loi.KaiCheow@UOBgroup.com
Country Manager: Loi Kai Cheow

Philippines

UOB Manila Branch

17th Floor, Pacific Star Building
Sen. Gil Puyat Avenue Corner
Makati Avenue
1200 Makati City
Phone: (63)(2) 548 6400
Fax: (63)(2) 811 6196
SWIFT: UOVBP2L
Email: UOB.Manila@UOBgroup.com
Country Manager: Emmanuel T Mangosing

South Korea

UOB Seoul Branch

136 Sejong-daero
3(A)F, Seoul Finance Center
Jung-gu, Seoul 04520
Phone: (82)(2) 739 3916/739 3919
Fax: (82)(2) 730 9570
SWIFT: UOVBJ2L
Email: UOB.Seoul@UOBgroup.com
Country Manager: Tan Kian Huat

Taiwan

UOB Taipei Branch

No. 68, Sec. 5, Zhongxiao East Road
30F, Cathay Landmark
Xinyi District, Taipei City 110, Taiwan
Phone: (886)(2) 2722 3838
Fax: (886)(2) 2722 2322
Email: UOB.Taipei@UOBgroup.com
Country Manager: Steven Chung Kok Kai

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: UOVBT2L
Website: www.UOB.co.th
President and Chief Executive Officer:
Tan Choon Hin

United Overseas Bank (Thai) Public Company Limited has 153 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 (effective January 2018)

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: UOVBU2L
Email: UOB.NewYork@UOBgroup.com
Country Manager and Agent/
General Manager: 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/
General Manager: Bert De Guzman

Vietnam

UOB Ho Chi Minh City Branch

17 Le Duan Boulevard
1st Floor, Central Plaza Office Building
District 1, Ho Chi Minh City
Phone: (848) 3825 1424
Fax: (848) 3825 1423
SWIFT: UOVBN2L
Email: UOB.HCMC@UOBgroup.com
Country Manager: Harry Loh
Branch Manager: Ho Sze Ming

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
Email: futures@UOBgroup.com
Website: www.UOBBFClearing.com.sg
Chief Executive Officer:
Dennis Seet Choon Seng

South Korea

UOB Bullion and Futures Limited Seoul Branch

43rd Fl., 3 IFC, 10 Gukjegeumyung-ro,
Yeongdeungpo-Gu, Seoul, Korea
Phone: (82) 2 6265 1088
Fax: (822) 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 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 3358
Fax: (65) 6532 0245
Website: www.UnitedOrientCapital.com
Contact: Yeo Wee Yap

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
8/F Taiji Building
Haidian District, Beijing 100083
Phone: (86)(10) 8905 6679
Email: info@UOBVM.com.sg
Contact: Seah Kian Wee

UOB Venture Management (Shanghai) Limited

(a subsidiary)
1468 Nanjing Road West
Room 3307, United Plaza
Shanghai 200040
Phone: (86)(21) 8028 0999
Email: postmaster@UOBVM.com.cn
Managing Director: Seah Kian Wee

SZVC-UOB Venture Management Co., Ltd

(an associate)
No. 4009 Shennan Road
FL. 11, Investment Building
Futian Centre District
Shenzhen 518048
Phone: (86)(755) 8291 2888
Fax: (86)(755) 8291 2880
Email: info@UOBVM.com.sg
Director: Jean Thoh

Ping An UOB Fund Management Company Ltd

(an associate)
34F, Ping An Financial Center,
No. 5033, Yitian Road, Futian District
Shenzhen 518033
Phone: (86)(755) 2222 0005
Fax: (86)(755) 2399 7878
Email: fundservice@pingan.com.cn
Website: <http://fund.pingan.com>
Deputy General Manager: Jasmine Lim

International Network

France

UOB Global Capital SARL
(a subsidiary)
40 rue la Pérouse
75116 Paris
Phone: (33)(1) 5364 8400
Fax: (33)(1) 5364 8409
Email: mlandau@UOBGlobal.com
Managing Director: Michael Landau

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
Email: info@UOBVM.com.sg
Contact: Patria Adhi Pradana

Japan

UOB Asset Management (Japan) Ltd
(a subsidiary)
2-11-1 Nagatacho, Chiyoda-ku
13F, Sanno Park Tower
Tokyo 100-6113, Japan
Phone: (81)(3) 3500 5981
Fax: (81)(3) 3500 5985
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
Fax: (886)(2) 2545 6591
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

UOB Global Capital LLC
(a subsidiary)
592 Fifth Avenue
Suite 602, UOB Building
New York, NY 10036
Phone: (1)(212) 398 6633
Fax: (1)(212) 398 4030
Email: dgoss@UOBGlobal.com
Managing Director: David Goss

Money Market

Australia

UOB Australia Limited
(a subsidiary)
32 Martin Place
Level 9, United Overseas Bank Building
Sydney NSW 2000
Phone: (61)(2) 9221 1924
Fax: (61)(2) 9221 1541
SWIFT: UOVBAU2S
Email: UOB.Sydney@UOBgroup.com
Director and Country Head, Australia and
New Zealand: John Liles
Director and General Manager, Operations:
Eric Yeo

Stockbroking

Singapore

UOB-Kay Hian Holdings Limited
(an associate)
8 Anthony Road, #01-01
Singapore 229957
Phone: (65) 6535 6868
Fax: (65) 6532 6919
Website: www.uobkayhian.com
Managing Director: Wee Ee Chao

Venture Debt

Singapore

InnoVen Capital Singapore Pte. Ltd.
(an associate)
16 Collyer Quay, #23-01
Singapore 049318
Phone: (65) 6532 2416
Email: contact_sg@innovencapital.com

China

InnoVen Enterprise Management Consulting (Beijing) Co., Ltd.
(an associate)
Beijing Kerry Centre, 3/F South Tower
No. 1 Guanghua Road, Chao Yang District,
Beijing, China
Phone: (86)(10) 6506 1883
Email: contact-cn@innovencapital.com

India

InnoVen Capital India Private Limited
(an associate)
12th Floor, Express Towers, Nariman Point
Mumbai 400 021
Phone: (91)(22) 6744 6500
Email: contact@innovencapital.com

Others

Singapore

The FinLab Pte Ltd
(an associate)
Blk 79 Ayer Rajah Crescent
BASH #03-00
Singapore 139955
Email: info@thefinlab.com

Global Reporting Initiative Content Index

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core			
GRI Standard	Disclosure	Page Number, URL and/or Reference	
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of the organisation	United Overseas Bank Limited	
	102-2 Activities, brands, products and services	2	
	102-3 Location of headquarters	Singapore	
	102-4 Location of operations	3	
	102-5 Ownership and legal form	Public limited company listed on the Singapore Exchange	
	102-6 Markets served	22-23, 34-62	
	102-7 Scale of the organisation	22-25, 71-72, 97, 260-261	
	102-8 Information on employees and other workers	71-72, 97	
	102-9 Supply chain	25, 32, 75, 95, 98	
	102-10 Significant changes to the organisation and its supply chain	No significant change during the reporting period	
	102-11 Precautionary Principle or approach	29, 84-85	
	102-12 External initiatives	Inside front cover, 27-29, 33, 35-37, 65, 84	
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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 76th Annual General Meeting of members of the Company will be held at Pan Pacific Singapore, Pacific 1-3, Level 1, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Friday, 20 April 2018, 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 2017.
- Resolution 2** To declare a final one-tier tax-exempt dividend of 45 cents per ordinary share and a special one-tier tax-exempt dividend of 20 cents per ordinary share for the year ended 31 December 2017.
- Resolution 3** To approve Directors' fees of S\$2,920,000 for 2017 (2016: S\$2,575,000).
- Resolution 4** To approve an advisory fee of S\$800,000 to Dr Wee Cho Yaw, the Chairman Emeritus and Adviser, for the period from January 2017 to December 2017.
- 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** Mrs Lim Hwee Hua (retiring by rotation)
- Resolution 7** Mr Wong Kan Seng (retiring under Article 106(3))
- Resolution 8** Mr Alexander Charles Hungate (retiring under Article 106(3))
- Resolution 9** Mr Michael Lien Jown Leam (retiring under Article 106(3))
- Resolution 10** Mr Alvin Yeo Khim Hai (retiring under Article 106(3))

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:

- Resolution 11** "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 ordinary 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% of the total number of issued shares, excluding treasury shares, in the capital of the Company (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% of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation 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, in the capital of the Company 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 Listing Manual of the SGX-ST 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.”

Resolution 12 “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 13 “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 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 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 13:

“**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% 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% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 110% 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 therein 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

- (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 from 30 April 2018 to 2 May 2018, both dates inclusive, for the preparation of the final and special dividends. Registrable transfers received up to 5.00 pm on 30 April 2018 will be entitled to the final and special dividends. If approved, the final and special dividends will be paid on 13 June 2018.

Resolution 4 is to approve a fee of S\$800,000 for the period from January 2017 to December 2017 to Dr Wee Cho Yaw, Chairman Emeritus and Adviser, for services rendered.

Resolution 6 is to re-elect Mrs Lim Hwee Hua who will, if re-elected, continue as the independent chairman of the Nominating Committee, and an independent member of the Strategy and Remuneration Committees.

Resolution 7 is to re-elect Mr Wong Kan Seng who will, if re-elected, continue as the independent chairman of the Board and Strategy Committee; and an independent member of the Board Credit, Board Risk Management, Nominating and Remuneration Committees.

Resolution 8 is to re-elect Mr Alexander Charles Hungate who will, if re-elected, continue as an independent member of the Board Credit and Remuneration Committees.

Resolution 9 is to re-elect Mr Michael Lien Jown Leam who will, if re-elected, continue as a non-independent member of the Nominating and Strategy Committees.

Resolution 10 is to re-elect Mr Alvin Yeo Khirn Hai who will, if re-elected, continue as an independent member of the Audit and Board Risk Management Committees.

Resolution 11 is to empower the Directors to issue ordinary shares in the capital of the Company and to make or grant instruments (such as warrants or debentures or options) convertible into ordinary Shares, and to issue ordinary Shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the total number of issued shares, excluding treasury shares, in the capital of the Company, but with a sub-limit of 10% for issue of Shares other than on a *pro-rata* basis to shareholders (**General Mandate**). For the purpose of determining the aggregate number of ordinary Shares that may be issued pursuant to the General Mandate, the percentage of issued shares in the capital of the Company shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that Resolution 11 is passed, after adjusting for (a) new ordinary 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 11 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary Shares.

Resolution 12 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 AGM until the date of the next AGM of the Company.

Resolution 13 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 2017.

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 1 March 2018 (**Latest Practicable Date**), the purchase by the Company of 5% of its issued shares (excluding the shares held in treasury and subsidiary holdings) will result in the purchase or acquisition of 83,113,251 Shares.

Notice of Annual General Meeting

Assuming that the Company purchases or acquires 83,113,251 shares at the Maximum Price, the maximum amount of funds required is approximately:

- (a) in the case of Market Purchases of Shares, S\$2,448,516,374 based on S\$29.46 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, S\$2,565,706,058 based on S\$30.87 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date).

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 2017, based on certain assumptions, are set out in the Appendix to Shareholders dated 28 March 2018.

Please refer to the Appendix to this Notice of AGM dated 28 March 2018 for details.

BY ORDER OF THE BOARD

Joyce Sia/Theresa Sim
Secretaries

Singapore
28 March 2018

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 Singapore 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 AGM of the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and 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 purpose 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 shareholders 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**), and (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.

* 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 28 MARCH 2018**

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 13 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 (**2017 AGM**) held on 20 April 2017 (**2017 Share Purchase Mandate**).

The 2017 Share Purchase Mandate will expire on the date of the forthcoming 76th annual general meeting to be held on 20 April 2018 (**2018 AGM**). The approval of Shareholders is being sought for the renewal of the Share Purchase Mandate at the 2018 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 76th 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 76th 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 1 March 2018 (**Latest Practicable Date**), the Company had 1,662,265,036 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:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in either case, the “Maximum Price”.

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.

Appendix

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 2017 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 1 March 2018, the issued share capital of UOB comprised 1,662,265,036 Shares, excluding treasury shares and subsidiary holdings.

Purely for illustrative purposes, on the basis of 1,662,265,036 Shares in issue, excluding treasury shares and subsidiary holdings, as at the Latest Practicable Date, not more than 83,113,251 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:

- (i) in the case of Market Purchases of Shares, S\$2,448,516,374 based on S\$29.46 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date); and
- (ii) in the case of Off-Market Purchases of Shares, S\$2,565,706,058 based on S\$30.87 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date).

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 2017 and UOB had on 1 January 2017 purchased 83,113,251 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 1.25%, being the inter-bank one-month offer rate as at 1 March 2018, 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 2017 are set out below:

Market Purchases

	Before Share Purchases	After Share Purchases ⁽¹⁾
Total Shareholders' equity (S\$'000)	36,837,325	34,363,400
Number of issued and paid-up Shares ('000)	1,662,265	1,579,152
Weighted average number of issued and paid-up Shares ('000)	1,650,150	1,567,037
Net profit attributable to Shareholders (S\$'000)	3,390,286	3,364,877

Financial Ratios

Net Asset Value (NAV) per Share (S\$) ⁽²⁾	20.37	19.88
Earnings per Share – Basic (S\$) ⁽³⁾	1.99	2.08
Return on Equity (ROE) (%) ⁽³⁾	10.20	10.90
Capital Adequacy Ratio (%)		
– Common Equity Tier 1	15.10	13.90
– Tier 1	16.10	14.90
– Total	18.70	17.50

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.

Appendix Renewal of Share Purchase Mandate

Off-Market Purchases

	Before Share Purchases	After Share Purchases ⁽¹⁾
Total Shareholders' equity (S\$'000)	36,837,325	34,244,994
Number of issued and paid-up Shares ('000)	1,662,265	1,579,152
Weighted average number of issued and paid-up Shares ('000)	1,650,150	1,567,037
Net profit attributable to Shareholders (S\$'000)	3,390,286	3,363,661

Financial Ratios

Net Asset Value (NAV) per Share (S\$) ⁽²⁾	20.37	19.80
Earnings per Share – Basic (S\$) ⁽³⁾	1.99	2.08
Return on Equity (ROE) (%) ⁽³⁾	10.20	11.00
Capital Adequacy Ratio (%)		
– Common Equity Tier 1	15.10	13.80
– Tier 1	16.10	14.90
– Total	18.70	17.50

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.

- 2.9 **Details of Shares Purchased in the last 12 months.** UOB had repurchased 452,598 Shares at a total consideration of S\$12,603,064 in the 12 months preceding the Latest Practicable Date. The highest price paid and lowest price paid were \$28.74 and \$26.40 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, 1,260,518,486 Shares, or approximately 76% of the total Shares (excluding the Shares held in treasury), 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 1,177,405,235 Shares, or approximately 75% 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.

Appendix

Renewal of Share Purchase Mandate

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 are 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	5.20
Lien Ying Chow Private Limited	–	85,999,165 ¹	85,999,165	5.17
Wah Hin and Company Private Limited	85,988,870	10,295 ²	85,999,165	5.17
Sandstone Capital Pte. Ltd.	10,295	85,988,870 ³	85,999,165	5.17
Wee Cho Yaw	21,136,589	280,960,582 ⁴	302,097,171	18.17
Wee Ee Cheong	3,056,455	169,945,806 ⁴	173,002,261	10.41
Wee Ee Chao	160,231	134,963,884 ⁴	135,124,115	8.13
Wee Ee Lim	1,831,903	169,572,997 ⁴	174,404,900	10.31
Wee Investments (Pte) Limited	130,420,042	194,119	130,614,161	7.86

* Percentage is calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Bank.

Notes

- (1) Estate of Lien Ying Chow, deceased and Lien Ying Chow Private Limited are each deemed to have an interest in the 85,999,165 UOB shares in which Wah Hin and Company Private Limited has an interest.
- (2) Wah Hin and Company Private Limited is deemed to have an interest in the 10,295 UOB shares held by Sandstone Capital Pte. Ltd.
- (3) Sandstone Capital Pte. Ltd. is deemed to have an interest in the 85,988,870 UOB shares held by Wah Hin and Company Private Limited.
- (4) Wee Cho Yaw, Wee Ee Cheong, Wee Ee Chao and Wee Ee Lim are each deemed to have an interest in Wee Investments (Pte) Limited's total direct and deemed interests of 130,614,161 UOB 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.

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:
 - (1) the adviser and the persons controlling, controlled by or under the same control as the adviser; and
 - (2) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (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 above persons, 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.

Appendix

Renewal of Share Purchase Mandate

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 (and including) 30% and 50% of UOB's voting rights, 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 76th 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.

Proxy Form



UNITED OVERSEAS BANK LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 193500026Z

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Singapore 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 if they have any queries 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 28 March 2018.

I/We _____ (Name), NRIC/Passport No. _____
of _____ (Address)

being a member/members of United Overseas Bank Limited (Company), hereby appoint

Name	Proportion of Shareholdings	
NRIC/Passport No.	No. of Shares	%
Address		

and/or *

Name	Proportion of Shareholdings	
NRIC/Passport No.	No. of Shares	%
Address		

* Please delete as appropriate

or failing him/her, the **Chairman of the Meeting** as my/our proxy, to attend and vote for me/us on my/our behalf at the **76th 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, 20 April 2018 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.

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 (Mrs Lim Hwee Hua)		
Resolution 7	Re-election (Mr Wong Kan Seng)		
Resolution 8	Re-election (Mr Alexander Charles Hungate)		
Resolution 9	Re-election (Mr Michael Lien Jown Leam)		
Resolution 10	Re-election (Mr Alvin Yeo Khirn Hai)		
Resolution 11	Authority to issue ordinary shares		
Resolution 12	Authority to issue shares pursuant to the UOB Scrip Dividend Scheme		
Resolution 13	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 _____ 2018.

Signature(s) or Common Seal of Shareholder(s)
IMPORTANT: PLEASE READ NOTES OVERLEAF

Shares in:	No. of Shares
(i) Depository Register	
(ii) Register of Members	
Total (see Note 1)	

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 Singapore 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 Singapore 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
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Corporate Information

Board of Directors

Wong Kan Seng (*Chairman*)
Wee Cho Yaw* (*Chairman Emeritus and Adviser*)
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

Audit Committee

Willie Cheng Jue Hiang (*Chairman*)
James Koh Cher Siang
Ong Yew Huat
Alvin Yeo Khirn Hai

Board Credit Committee

Ong Yew Huat (*Chairman*)
Wong Kan Seng
Wee Cho Yaw*
Wee Ee Cheong
Franklin Leo Lavin
Alexander Charles Hungate

Board Risk Management Committee

Wee Cho Yaw* (*Chairman*)
Ong Yew Huat (*Chairman from 21 April 2018*)
Wong Kan Seng
Wee Ee Cheong
Alvin Yeo Khirn Hai

Nominating Committee

Lim Hwee Hua (*Chairman*)
Wong Kan Seng
Wee Cho Yaw*
Franklin Leo Lavin*
Wee Ee Cheong (*Alternate to Wee Cho Yaw till 20 April 2018
and member from 21 April 2018*)
Willie Cheng Jue Hiang
Michael Lien Jown Leam
James Koh Cher Siang (*member from 21 April 2018*)

Remuneration Committee

James Koh Cher Siang (*Chairman*)
Lim Hwee Hua
Alexander Charles Hungate
Wong Kan Seng

Strategy Committee

Wong Kan Seng (*Chairman*)
Wee Cho Yaw*
Wee Ee Cheong
Franklin Leo Lavin
Lim Hwee Hua
Michael Lien Jown Leam

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 Ming Thiam
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*)

Registered Office

80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration Number: 193500026Z
Phone: (65) 6222 2121
Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: www.UOBgroup.com

Investor Relations

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United Overseas Bank Limited

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