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

31 December 2017

Financial Report

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".

United Overseas Bank Limited
(Incorporated in Singapore)
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31 December 2017

Financial Report

Notes to the Financial Statements (continued)

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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 Margin [1]			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 Loans [1]			
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 %	Total allowance as a % of unsecured NPA/NPL %
NPL by Geography[1]					
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 $ million	2016 $ 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 $ 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**
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

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 *(appointed on 27 July 2017)*	–	–	**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:

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.

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 (a*ppointed 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

<table>
<tr><th>Areas of focus</th><th>How our audit addressed the risk factors</th></tr>
<tr><td>
Impairment of Loans to Customers
Refer to Notes 2r(i) and 25a to the consolidated financial statements on pages 184 and 211 respectively.

The allowance for impairment of loans to customers is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group records both general and specific allowances, in accordance with the transitional provision set out in the MAS Notice 612 requirements for the incorporation of historical loss data and qualitative factors on loan grading respectively.

Loans to customers contributed to approximately 65% of the Group's total assets. The Group's loan portfolio comprises customers from the two business units, i.e. Group Wholesale Banking (GWB) (56%/$132 billion) and Group Retail (GR) (44%/$104 billion). The loan portfolio and characteristics of these two groups differ, therefore requiring a different approach in the assessment for specific allowances by management.

GWB's loan portfolio consists of larger wholesale loans, requiring management to monitor the borrowers' repayment abilities individually based on their knowledge for any allowance for impairment.

In comparison with GWB, GR's loan portfolio consists of smaller loan values and a greater number of customers. Loans are not monitored individually and are grouped by product into homogeneous portfolios. Portfolios are monitored through historical delinquency statistics, which drive the allowance for impairment assessment.
</td><td>
Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following:

• the origination, approval and monitoring of loans;

• the identification and timeliness of identifying impairment indicators; and

• the governance process of loan downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment models.

Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.

We have designed the following procedures for specific allowances in response to the risks specific to the business units.

<u>Group Wholesale Banking</u>
We obtained an understanding of the Group Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans in accordance with the MAS Notice 612.

We tested a sample of loans (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner.

We considered the magnitude of the credit exposures, macroeconomic factors and industry trends in our audit sampling, and extended our audit coverage over customers in sectors currently experiencing difficult economic and market conditions including the offshore marine and shipping related.

For the selected non-performing loans (NPLs), we assessed management's forecast and inputs of recoverable cash flows, valuation of collaterals, estimates of recoverable amounts on default and other sources of repayment, and where possible, compared these key assumptions to external references such as ship and real estate valuations.
</td></tr>
</table>

Areas of focus	How our audit addressed the risk factors
Impairment of Loans to Customers (continued)	*Group Retail* For the major GR portfolios with homogeneous characteristics, we obtained an understanding of the Group Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the credit review on a portfolio basis in accordance with the MAS Notice 612. We examined the appropriateness of the methodology and the model parameters such as historical flow rates and charged-off loss rates to derive loss provision for unsecured lending. The parameters are assessed based on our industry knowledge and experience to evaluate whether they are in line with customer behavioural profiles. Where lending is secured by collateral, the allowance for impairment is determined based on the haircuts and fair values less cost to sell obtained by the Group. We examined, on a sample basis, the reasonableness of haircuts applied and the fair values less cost to sell based on our knowledge and experience of the local residential and economic conditions and asset price trends. With respect to the Group's general allowances, we re-computed management's calculation to assess that the Group's general allowances met the minimum requirements of the transitional provisions set out in MAS Notice 612. Overall, the results of our evaluation of the Group's allowance for impairment of loans are consistent with management's assessment. We have also obtained an understanding of the Group's implementation process of the Singapore Financial Reporting 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.
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.* The valuation of the Group's financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing certain instruments and the significance of the judgements and estimates made by management. In particular, the determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data. At 31 December 2017, 6% ($4 billion) of the Group's total financial instruments that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised unquoted equity investments and funds, long dated equity derivatives, callable interest rate swaps and a small number of unquoted debt securities.	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. In addition, we evaluated the appropriateness of the valuation methodologies, particularly for material illiquid and complex financial instruments such as private equity investments and structured products. For a sample of financial instruments with significant unobservable valuation inputs, we involved our own internal valuation specialists to critically assess the valuation assumptions and inputs used by management, or perform an independent valuation by reference to alternative valuation methods used by other market participants and sensitivity analyses of key factors. The valuation of the samples selected are within the range of expected outcomes.

Areas of focus	How our audit addressed the risk factors
Impairment of Goodwill *Refer to Notes 2r(iii) and 34b to the consolidated financial statements on pages 184 and 226 respectively.* As at 31 December 2017, the goodwill balance was carried at $4 billion which represents 1% of total assets, and 11% of total equity. The goodwill arose from the Group's acquisition of Overseas Union Bank (OUB), United Overseas Bank (Thai) Public Company Limited (UOBT) and PT Bank UOB Indonesia (UOBI) in prior years, and is allocated to the respective cash-generating units (CGUs) defined by the Group's operating segments. We focused on this area because the impairment test relies on the calculation of the value-in-use (VIU) of each CGU, which involves significant management judgements and assumptions about the future cash flows of the CGUs and the discount rates applied.	Our audit procedures focused on the assessment of key assumptions in forming the CGUs' VIU calculations, including the cash flow projections and discount rates that have been approved by management. We assessed the cash flow projections by reviewing the historical achievement of the projections and considered the reasons for significant deviations. We also evaluated the reasonableness of the VIU calculations by comparing the market-related assumptions which the outcome of the impairment test is most sensitive to, against externally available industry, economic and financial data, such as country Gross Domestic Product (GDP) growth rates. Where we determined that a more appropriate assumption or input in a CGU's VIU calculation could be made, independent sensitivity analyses were performed for different scenarios to identify any CGUs with a risk of impairment. The assumptions used by management in its goodwill impairment tests are consistent with our expectations.

Other Information

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore

13 February 2018

Income Statements

for the financial year ended 31 December 2017

		The Group		The Bank	
		2017	2016	2017	2016
	Note	$'000	$'000	$'000	$'000
Interest income	3	9,076,548	8,290,547	5,795,642	5,101,698
Less: Interest expense	4	3,548,481	3,299,797	2,128,596	1,866,310
Net interest income		5,528,067	4,990,750	3,667,046	3,235,388
Fee and commission income	5	2,161,452	1,930,612	1,470,457	1,254,942
Dividend income		22,807	30,600	170,955	194,714
Rental income		119,425	118,478	101,020	102,422
Net trading income	6	775,085	776,085	598,666	642,026
Net gain from investment securities	7	126,962	100,589	106,811	80,236
Other income	8	117,472	114,142	144,623	136,990
Non-interest income		3,323,203	3,070,506	2,592,532	2,411,330
Total operating income		8,851,270	8,061,256	6,259,578	5,646,718
Less: Staff costs	9	2,224,048	2,050,014	1,347,446	1,171,070
Other operating expenses	10	1,803,183	1,646,484	1,157,172	1,079,869
Total operating expenses		4,027,231	3,696,498	2,504,618	2,250,939
Operating profit before allowance		4,824,039	4,364,758	3,754,960	3,395,779
Less: Allowance for credit and other losses	11	727,438	593,768	329,182	456,398
Operating profit after allowance		4,096,601	3,770,990	3,425,778	2,939,381
Share of profit of associates and joint ventures		110,168	5,929	–	–
Profit before tax		4,206,769	3,776,919	3,425,778	2,939,381
Less: Tax	12	800,113	668,969	580,835	454,556
Profit for the financial year		3,406,656	3,107,950	2,844,943	2,484,825
Attributable to:					
Equity holders of the Bank		3,390,291	3,096,289	2,844,943	2,484,825
Non-controlling interests		16,365	11,661	–	–
		3,406,656	3,107,950	2,844,943	2,484,825
Earnings per share ($)	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	2016	2017	2016
	$'000	$'000	$'000	$'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

		The Group		The Bank	
		2017	2016	2017	2016
	Note	$'000	$'000	$'000	$'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					
	Share capital and other capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000	Non-controlling interests $'000	Total equity $'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

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.

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.

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.

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.

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

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.

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

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

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.

15. Retained Earnings

(a)

	The Group		The Bank	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'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 $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Share of reserves of associates and joint ventures $'000	Others $'000	Total $'000
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

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

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				
	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	3,391,951	–	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

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

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.

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							
		Fair value gains or losses						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in $'000	Balance at 31 December $'000	Unrealised gains or losses included in income statement $'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							
		Fair value gains or losses						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in $'000	Balance at 31 December $'000	Unrealised gains or losses included in income statement $'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.

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

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 2017 $'000	The Group 2016 $'000	The Bank 2017 $'000	The Bank 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)

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.

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

	The Group				
	Balance at 1 January	Cash flows		Non-cash changes	Balance at 31 December
		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

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

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).

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	2016	2017	2016
	$'000	$'000	$'000	$'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

			Effective equity interest of the Group	
		Country of	2017	2016
Name of associate	**Principal activities**	**incorporation**	%	%
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	2016
	$'000	$'000
Profit/(Loss) for the financial year	**53,966**	(43,176)
Other comprehensive income	**(4,540)**	(198)
Total comprehensive income	**49,426**	(43,374)

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	The Bank 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 %	Effective equity interest of the Group 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

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.

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	Investment in associates and joint ventures	Other assets
	$'000	$'000	$'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

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 $'000	Others $'000	Total $'000	Owner-occupied properties $'000	Others $'000	Total $'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.

34. Intangible Assets

(a)

	Goodwill			
	The Group		The Bank	
	2017 $'000	2016 $'000	2017 $'000	2016 $'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 $'000	2016 $'000	2017 $'000	2016 $'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

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	**Negative fair value**	Positive fair value	Negative fair value
	$'000	**$'000**	$'000	$'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.

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

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 '000	2016 '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 '000	2016 '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 (S$)	Number of options '000	Weighted average exercise price (S$)
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).

40. Share-Based Compensation Plans (continued)

Year granted	Expiry date	Fair value per grant at grant date $	Number of outstanding grants 2017 '000	Number of outstanding grants 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:

	Restricted shares			
	2017	**2017**	2016	2016
Year granted	**1st grant**	**2nd grant**	1st grant	2nd 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	2016	2017	2016
		$ million	$ million	$ million	$ 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

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

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:
1. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
2. 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.

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
	$ 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

43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) (continued)

	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 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.

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).

43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(v) Ageing Analysis of Past Due but Not Impaired Loans (continued)

	The Group			
	< 30 days $ million	30 – 59 days $ million	60 – 90 days $ million	Total $ 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					
	Current $ million	‹ 90 days $ million	90 – 180 days $ million	› 180 days $ million	Total $ million	Specific allowance $ 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).

43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vi) Ageing Analysis of Non-Performing Assets (continued)

	The Group					
	Current $ million	‹ 90 days $ million	90 – 180 days $ million	› 180 days $ million	Total $ million	Specific allowance $ 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.

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						
	Singapore Dollar $ million	US Dollar $ million	Malaysian Ringgit $ million	Thai Baht $ million	Indonesian Rupiah $ million	Others $ million	Total $ million
2017							
Cash, balances and placements with central banks	13,201	1,383	3,218	645	1,274	6,904	26,625
Securities	6,501	8,394	2,377	2,506	836	8,401	29,015
Placements and balances with banks	317	34,417	1,740	3,336	162	12,209	52,181
Loans to customers	114,291	43,314	23,510	13,599	4,722	32,776	232,212
Investment in associates and joint ventures	902	199	3	–	–	90	1,194
Intangible assets	3,168	–	–	738	236	–	4,142
Derivative financial assets	1,754	1,088	711	251	(147)	2,124	5,781
Others	1,628	2,571	339	494	169	2,241	7,442
Total assets	141,762	91,366	31,898	21,569	7,252	64,745	358,592
Deposits and balances of customers	123,806	67,739	26,475	15,317	5,119	34,309	272,765
Deposits and balances of banks, and bills and drafts payable	2,943	4,172	184	323	3	4,518	12,143
Debts issued	1,364	19,729	330	680	278	2,797	25,178
Derivative financial liabilities	3,354	(835)	212	312	147	2,341	5,531
Others	2,144	2,120	549	314	90	722	5,939
Total liabilities	133,611	92,925	27,750	16,946	5,637	44,687	321,556
On-balance sheet open position (1)	8,151	(1,559)	4,148	4,623	1,615	20,058	

(1) Net on-balance sheet position without taking into account net contract or notional amount of foreign exchange derivatives.

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.

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							
	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	Total $ 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)	

43. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(i) (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	Over 1 to 3 years $ million	Over 3 years $ million	No specific maturity $ million	Total $ 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.

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.

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 $ million	2016 $ 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.