Directors' Statement

for the financial year ended 31 December 2018

The directors are pleased to present their statement to the members together with the audited financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2018.

In the opinion of the directors,

(a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2018, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

Directors

The directors of the Bank in office are:

Wong Kan Seng *(Chairman)*
Wee Ee Cheong *(Deputy Chairman and Chief Executive Officer)*
Franklin Leo Lavin
Willie Cheng Jue Hiang
James Koh Cher Siang
Ong Yew Huat
Lim Hwee Hua
Alexander Charles Hungate
Michael Lien Jown Leam
Alvin Yeo Khirn Hai
Wee Ee Lim *(appointed on 1 July 2018)*

Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Bank to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

Directors' Interests in Shares or Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interests in shares and debentures of the Bank or its related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2018	At 1.1.2018 or date of appointment	**At 31.12.2018**	At 1.1.2018 or date of appointment
The Bank				
Ordinary shares				
Wee Ee Cheong	**3,056,455**	3,356,455	**173,701,487**	169,683,878
Willie Cheng Jue Hiang	**–**	–	**51,373**	51,373
James Koh Cher Siang	**3,900**	3,900	**–**	–
Alvin Yeo Khirn Hai	**–**	–	**6,119**	5,988
Alexander Charles Hungate	**3,000**	–	**–**	–
Wee Ee Lim *(appointed on 1 July 2018)*	**1,831,903**	1,831,903	**173,280,943**	173,280,943

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019.

Directors' Contractual Benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' Remuneration

The proposed annual fee structure for the Board for 2018 is set out below. The proposed directors' fees are subject to shareholders' approval at the forthcoming Annual General Meeting.

Fee Structure	Chairman $	Member $
Basic Fee	700,000	90,000
Strategy Committee	85,000	55,000
Board Credit Committee	85,000	55,000
Board Risk Management Committee	85,000	55,000
Audit Committee	85,000	55,000
Nominating Committee	45,000	30,000
Remuneration and Human Capital Committee	45,000	30,000

Details of the proposed total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2018 are as follows:

	Advisory fee $'000	Directors' fees $'000	Fees from subsidiaries (4) $'000	Salary $'000	Bonus $'000	Benefits-in-kind and others (5) $'000	Total $'000
Wong Kan Seng	–	955	–	–	–	5	960
Hsieh Fu Hua *(retired on 14 February 2018)*	–	478	–	–	–	1	478
Wee Cho Yaw *(retired on 20 April 2018)* (1)	240	158	217	–	–	2	617
Wee Ee Cheong (2)	–	–	–	1,200	9,330	33	10,563
Franklin Leo Lavin	–	215	–	–	–	–	215
Willie Cheng Jue Hiang	–	205	–	–	–	–	205
James Koh Cher Siang	–	220	–	–	–	–	220
Ong Yew Huat	–	315	87	–	–	–	402
Lim Hwee Hua	–	220	–	–	–	–	220
Alexander Charles Hungate	–	175	–	–	–	–	175
Michael Lien Jown Leam	–	175	–	–	–	–	175
Alvin Yeo Khirn Hai	–	200	–	–	–	–	200
Wee Ee Lim (3)	–	100	–	–	–	–	100

(1) The advisory fee of $240,000 recommended by the Remuneration and Human Capital Committee for Dr Wee Cho Yaw is subject to shareholders' approval at the Annual General Meeting to be held on 26 April 2019.
(2) 60% of the variable pay to Mr Wee Ee Cheong will be deferred and vested over the next three years. Of the deferred variable pay, 40% will be issued in deferred cash, while the remaining 60% will be in the form of share-linked units.
(3) Appointed on 1 July 2018.
(4) Fees from subsidiaries payable to Mr Wee Ee Cheong were paid to the Bank.
(5) Transport-related benefits, including the provision of drivers for Messrs Wee Ee Cheong and Hsieh Fu Hua and Dr Wee Cho Yaw.

Share-Based Compensation Plans

The share-based compensation plans, which are administered by the Remuneration and Human Capital Committee (RHCC), comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Details of these plans are found below and in Note 41 to the financial statements.

UOB Restricted Share Plan and UOB Share Appreciation Rights Plan (the Plans)

The Bank implemented the Plans on 28 September 2007, with a view to aligning the interests of participating employees with that of shareholders and the Group by fostering a culture of ownership and enhancing the competitiveness of the Group's remuneration for selected employees.

The RHCC determines the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting. Since 2014, no SAR has been granted as an instrument for share-based compensation.

SAR are rights which, upon exercise, confer the right to receive such number of UOB shares (or by exception, cash) equivalent to the difference between the prevailing market value and the grant value of the underlying UOB shares comprised in the SAR, divided by the prevailing market value of a UOB share. The grant value is determined with reference to the average of the closing prices of UOB shares over the three days preceding the grant date. Upon vesting of SAR, participants have up to six years from the date of grant to exercise their rights.

RS represent UOB shares that are restricted by time and performance conditions as to when they vest. Upon vesting, participants will receive UOB shares represented by the RS.

For RS grants made in the years 2015 to 2016, 30 per cent of the award granted will vest after two years, subject to the achievement of the two-year average Return on Equity (ROE) targets. The remaining 70 per cent will vest after three years, subject to the achievement of three-year average ROE targets. The vesting levels are shown below:

Percentage of ROE target achieved	Percentage* of award to be vested for grants made in 2015 to 2016
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the RHCC

* For intermediate ROE level achieved, the percentage of award to be vested will be interpolated.

In 2017, the Bank reviewed and revised the performance conditions of the RS Plan. For grants made from and after 2017, the vesting of the first and second tranches of RS will be determined by the performance of the Group's two-year and three-year average ROE against the corresponding two-year and three-year average Cost of Equity (COE) hurdle respectively.

For each vesting tranche of the award, 100 per cent of the tranche will vest if the average ROE is equal to or above the corresponding average COE. If the average ROE is below the corresponding average COE, the percentage of each tranche of award to be vested will be determined at the sole discretion of the RHCC.

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the RHCC.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the RS Plan shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plan only allows the delivery of UOB ordinary shares held in treasury by the Bank.

Audit Committee

The Audit Committee comprises four members, all of whom are non-executive and independent directors. The members of the Audit Committee are:

Willie Cheng Jue Hiang *(Chairman)*
James Koh Cher Siang
Ong Yew Huat
Alvin Yeo Khirn Hai

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditor's evaluation of the system of internal accounting controls, the scope and results of the internal and external audit procedures, the adequacy of internal audit resources, the cost effectiveness, independence and objectivity of the external auditor, the significant findings of internal audit investigations and interested person transactions. The reviews were made with the internal and external auditors, the Chief Financial Officer and/or other senior management staff, as appropriate.

Auditor

The Audit Committee has nominated Ernst & Young LLP for re-appointment as auditor of the Bank and Ernst & Young LLP has expressed its willingness to be re-appointed.

On behalf of the Board of Directors,

Wong Kan Seng
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
21 February 2019

Independent Auditor's Report

for the financial year ended 31 December 2018

Independent Auditor's Report to the Members of United Overseas Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group), set out on pages 191 to 290, which comprise the balance sheets of the Bank and the Group at 31 December 2018, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and the Group and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank, are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)), so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the financial performance and changes in equity of the Bank for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Areas of focus	How our audit addressed the risk factors
Adoption of Singapore Financial Reporting Standard (International) 9 Financial Instruments (SFRS(I) 9) *Refer to Notes 2s(i), 2s(ii), 27d, and 46 to the consolidated financial statements on pages 206, 206, 238 to 239, and 287 to 290 respectively.* On 1 January 2018, the Group adopted SFRS(I) as disclosed in Note 2b(i). The adoption includes SFRS(I) 9, which replaces Financial Reporting Standard 39 Financial Instruments: Recognition and Measurement (FRS 39). The adoption of SFRS(I) 9 is a key area of focus because the changes introduced by the standard could have a significant impact on the Group's and the Bank's financial statements. Under the new impairment model, losses are recognised on an expected credit loss (ECL) basis. ECLs are required to incorporate forward-looking information, reflecting management's view of the potential future economic environment. The new standard introduces significant complexity and required management to develop new methodologies which involve significant judgement. Separately, SFRS(I) 9 introduced new requirements for classification and measurement (C&M) of financial instruments. The transition impact from the adoption of SFRS(I) 9 due to the reclassification and re-measurement of certain financial instruments was an increase in retained earnings of $0.2 billion (pre-tax) and a decrease in the fair value reserves of $0.2 billion.	We assessed the design and tested the operating effectiveness of the key controls over the Group's ECL computation processes for the non credit-impaired exposures, as well as the governance process over: • key assumptions, such as the forward-looking information applied in the ECL models; and • management overlays. The results of our test of controls allowed us to rely on these controls to carry on with our planned nature, timing, and extent of our detailed audit procedures. In testing the ECL models, we involved our internal specialists to review the methodology and to challenge the key modelling assumptions by performing sensitivity analyses on selected portfolios to changes in modelling assumptions. This included significant areas of judgement such as the criteria for significant increase in credit risk (SICR) and forward-looking information. For a sample of exposures, • we checked the loans are transferred from Stage 1 to 2 should the criteria for SICR be met; • we tested the reasonableness of the probabilities of default (PD), loss given default (LGD) and exposure at default (EAD) used in the computations to derive the ECL amount for the exposure; and • we tested loans (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairments were identified in a timely manner. For the credit-impaired loans, we have assessed the reasonableness of the definition of default that is adopted by the Group. In addition, on a sample basis, we assessed management's assumptions about the recoverable cash flows, valuation of collaterals, estimates of recoverable amounts on default and other sources of repayment, and where possible, compared these key assumptions to external references. In assessing the Group's C&M decisions and the impact to the Group on the transition date, we obtained an understanding of the Group's portfolio segmentation approach and focused our assessment on the following areas: • the basis used in the business model assessment of selected portfolios; and • the cash flow characteristics of a selected sample of financial assets to ensure the appropriate classifications were assigned. Additionally, we tested the underlying disclosures relating to the transition impact and traced the disclosed impact to underlying accounting records. The results of our assessment of the Group's ECL are within our expectations. In addition, the Group's decisions on the C&M of the financial instruments and the transition adjustments are in line with our evaluation.

<table>
<tr><th>Areas of focus</th><th>How our audit addressed the risk factors</th></tr>
<tr><td>Valuation of illiquid or complex financial instruments
Refer to Notes 2s(iii) and 18b to the consolidated financial statements on pages 207 and 224 to 225 respectively.

At 31 December 2018, 7% ($5 billion) of the Group's total financial instruments that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised unquoted equity investments and funds, long dated equity derivatives, callable interest rate swaps and unquoted debt securities.

The valuation of Level 3 financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing certain instruments and the significance of the judgements and estimates made by management.

The determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data.</td><td>We assessed the design and tested the operating effectiveness of the key controls over the Group's Level 3 financial instruments valuation processes. This included the controls over:
• the validation of new and existing valuation models;
• the independent price verifications;
• the assessment of the observability of pricing inputs; and
• the completeness and accuracy of pricing inputs.

The results of our test of controls allowed us to rely on these controls for our audit.

We also involved our internal specialists to assess the reasonableness of the valuation methodologies, assumptions and inputs used by management for a sample of financial instruments with significant unobservable inputs.

Overall, the results of our assessment of the Group's valuation of illiquid or complex financial instruments were within the range of expected outcomes.</td></tr>
<tr><td>Impairment of goodwill
Refer to Notes 2s(iv) and 36b to the consolidated financial statements on pages 207 and 251 respectively.

As at 31 December 2018, the Group's balance sheet included goodwill of $4 billion arising from the Group's acquisition of Overseas Union Bank (OUB), United Overseas Bank (Thai) Public Company Limited (UOBT) and PT Bank UOB Indonesia (UOBI) in prior years. The goodwill is allocated to the respective cash-generating units (CGUs) defined by the Group's operating segments.

We focused on this area because the impairment test relies on the calculation of the value-in-use (VIU) of each CGU, which involves significant management judgement and assumptions about the future cash flows of the CGUs and the discount rates applied.</td><td>Our audit procedures focused on the following key assumptions used in the goodwill impairment tests:
• cash flow projections;
• growth rates; and
• discount rates.

We assessed the cash flow projections by reviewing historical achievement of the projections and considered the reasons for significant deviations.

The methodologies and assumptions used to compute the VIU of each CGU were critically assessed by our internal specialists. Key market-related assumptions such as the long-term growth rates and discount rates were benchmarked against external industry and economic data.

We also performed sensitivity analyses to determine the impact of a reasonably possible change in the key assumptions to the VIU calculations to identify any CGUs with a risk of impairment.

Based on the results of our audit procedures, the assumptions used by management in its goodwill impairment tests were within a reasonable range of expectations.</td></tr>
</table>

Other Information

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore

21 February 2019

Income Statements

for the financial year ended 31 December 2018

		The Group		The Bank	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Interest income [1]	3	11,140,963	9,076,548	7,622,840	5,795,642
Less: Interest expense	4	4,920,998	3,548,481	3,379,746	2,128,596
Net interest income		6,219,965	5,528,067	4,243,094	3,667,046
Net Fee and commission income	5	1,966,692	1,872,825	1,361,748	1,298,497
Dividend income		27,327	22,807	252,309	170,955
Rental income		118,918	119,425	100,174	101,020
Net trading income	6	682,758	775,085	501,888	598,666
Net (loss)/gain from investment securities	7	(35,488)	126,962	(46,932)	106,811
Other income	8	136,152	117,472	159,240	144,623
Non-interest income		2,896,359	3,034,576	2,328,427	2,420,572
Total operating income		9,116,324	8,562,643	6,571,521	6,087,618
Less: Staff costs	9	2,447,043	2,224,048	1,462,204	1,347,446
Other operating expenses	10	1,556,272	1,514,556	1,018,418	985,212
Total operating expenses		4,003,315	3,738,604	2,480,622	2,332,658
Operating profit before allowance		5,113,009	4,824,039	4,090,899	3,754,960
Less: Allowance for credit and other losses	11	392,671	727,438	159,564	329,182
Operating profit after allowance		4,720,338	4,096,601	3,931,335	3,425,778
Share of profit of associates and joint ventures		105,881	110,168	–	–
Profit before tax		4,826,219	4,206,769	3,931,335	3,425,778
Less: Tax	12	805,325	800,113	568,427	580,835
Profit for the financial year		4,020,894	3,406,656	3,362,908	2,844,943
Attributable to:					
Equity holders of the Bank		4,008,001	3,390,291	3,362,908	2,844,943
Non-controlling interests		12,893	16,365	–	–
		4,020,894	3,406,656	3,362,908	2,844,943
Earnings per share ($)	13				
Basic		2.34	1.99		
Diluted		2.33	1.98		

(1) Includes interest income on financial assets at fair value through profit or loss of $95 million (2017: $132 million) at the Group and $52 million (2017: $92 million) at the Bank.

The accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income

for the financial year ended 31 December 2018

	The Group		The Bank	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Profit for the financial year	**4,020,894**	3,406,656	**3,362,908**	2,844,943
Other comprehensive income that will not be reclassified to income statement				
Net losses on equity instruments at fair value through other comprehensive income	**(308,380)**	–	**(298,823)**	–
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**13,223**	–	**13,222**	–
Remeasurement of defined benefit obligation	**7,957**	(7,214)	**(74)**	(28)
Related tax on items at fair value through other comprehensive income	**9,156**	–	**6,840**	–
	(278,044)	(7,214)	**(278,835)**	(28)
Other comprehensive income that may be subsequently reclassified to income statement				
Currency translation adjustments	**(69,238)**	(65,502)	**(10,609)**	(31,198)
Debt instruments at fair value through other comprehensive income				
Change in fair value	**(192,383)**	–	**(178,177)**	–
Transfer to income statement on disposal	**39,991**	–	**41,762**	–
Changes in allowance for expected credit losses	**4,391**	–	**9,068**	–
Related tax	**2,996**	–	**2,208**	–
Available-for-sale financial assets				
Change in fair value	**–**	588,909	**–**	506,730
Transfer to income statement on disposal/impairment	**–**	(61,357)	**–**	(51,716)
Related tax	**–**	(18,164)	**–**	(7,790)
	(214,243)	443,886	**(135,748)**	416,026
Change in shares of other comprehensive income of associates and joint ventures	**(7,590)**	(2,924)	**–**	–
Other comprehensive income for the financial year, net of tax	**(499,877)**	433,748	**(414,583)**	415,998
Total comprehensive income for the financial year, net of tax	**3,521,017**	3,840,404	**2,948,325**	3,260,941
Attributable to:				
Equity holders of the Bank	**3,511,104**	3,817,251	**2,948,325**	3,260,941
Non-controlling interests	**9,913**	23,153	**–**	–
	3,521,017	3,840,404	**2,948,325**	3,260,941

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets
as at 31 December 2018

		The Group			The Bank		
	Note	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Equity							
Share capital and other capital	14	**7,014,072**	7,765,643	6,351,013	**7,014,072**	7,765,643	6,351,013
Retained earnings	15	**21,716,025**	19,707,178	17,333,616	**16,117,580**	14,700,659	13,030,819
Other reserves	16	**8,892,999**	9,377,113	9,188,560	**9,597,535**	10,045,371	9,625,481
Equity attributable to equity holders of the Bank		**37,623,096**	36,849,934	32,873,189	**32,729,187**	32,511,673	29,007,313
Non-controlling interests		**189,696**	186,661	168,599	**–**	–	–
Total equity		**37,812,792**	37,036,595	33,041,788	**32,729,187**	32,511,673	29,007,313
Liabilities							
Deposits and balances of:							
Banks		**13,800,639**	11,440,486	11,855,222	**12,070,866**	10,870,278	10,618,314
Customers	19	**293,185,822**	272,765,121	255,313,873	**227,258,692**	215,212,366	199,665,008
Subsidiaries		**–**	–	–	**13,562,166**	6,505,068	7,239,191
Bills and drafts payable		**637,675**	702,330	521,720	**359,074**	492,388	323,813
Derivative financial liabilities	38	**5,839,999**	5,530,748	6,837,108	**4,487,314**	4,042,662	5,961,059
Other liabilities	20	**5,416,881**	5,210,274	5,665,659	**3,104,691**	2,805,526	2,590,168
Tax payable		**514,023**	550,424	417,406	**435,122**	471,813	354,586
Deferred tax liabilities	21	**278,913**	177,984	231,908	**206,342**	114,103	89,214
Debts issued	22	**30,605,611**	25,178,401	26,142,949	**28,905,041**	23,889,753	25,014,644
Total liabilities		**350,279,563**	321,555,768	306,985,845	**290,389,308**	264,403,957	251,855,997
Total equity and liabilities		**388,092,355**	358,592,363	340,027,633	**323,118,495**	296,915,630	280,863,310
Assets							
Cash, balances and placements with central banks	23	**25,252,497**	26,624,969	24,322,115	**20,782,510**	19,960,207	16,572,831
Singapore Government treasury bills and securities		**5,614,577**	4,267,179	6,876,831	**5,609,110**	4,267,179	6,876,831
Other government treasury bills and securities	24	**13,200,867**	11,708,818	10,638,470	**5,668,411**	6,236,365	5,257,286
Trading securities	25	**1,928,520**	1,765,963	3,127,350	**1,794,810**	1,502,318	2,977,205
Placements and balances with banks	26	**50,799,513**	52,181,025	40,032,875	**39,812,157**	42,771,530	33,730,816
Loans to customers	27	**258,627,271**	232,211,746	221,733,669	**201,788,882**	180,520,561	172,655,915
Placements with and advances to subsidiaries		**–**	–	–	**16,362,702**	12,485,109	9,440,101
Derivative financial assets	38	**5,730,057**	5,780,915	6,981,546	**4,343,866**	4,283,098	6,184,579
Investment securities	29	**13,553,103**	11,272,880	11,639,689	**11,668,369**	10,495,021	10,991,626
Other assets	30	**4,516,306**	4,190,098	6,174,231	**2,870,042**	2,547,325	4,361,437
Deferred tax assets	21	**283,688**	193,257	251,094	**87,392**	47,299	42,375
Investment in associates and joint ventures	31	**1,169,608**	1,194,440	1,108,925	**363,105**	337,985	332,639
Investment in subsidiaries	32	**–**	–	–	**6,014,213**	5,743,730	5,785,706
Investment properties	34	**1,012,332**	1,088,309	1,104,910	**1,078,735**	1,118,762	1,161,937
Fixed assets	35	**2,265,624**	1,970,845	1,884,883	**1,692,372**	1,417,322	1,310,207
Intangible assets	36	**4,138,392**	4,141,919	4,151,045	**3,181,819**	3,181,819	3,181,819
Total assets		**388,092,355**	358,592,363	340,027,633	**323,118,495**	296,915,630	280,863,310

The accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2018

	The Group					
	Attributable to equity holders of the Bank					
	Share capital and other capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2018						
Balance at 1 January	7,765,643	19,707,178	9,377,113	36,849,934	186,661	37,036,595
Impact of adopting SFRS(I) 9 (Note 46)	–	58,967	613	59,580	(684)	58,896
Restated opening balance under SFRS(I) 9	7,765,643	19,766,145	9,377,726	36,909,514	185,977	37,095,491
Profit for the financial year	–	4,008,001	–	4,008,001	12,893	4,020,894
Other comprehensive income for the financial year	–	7,962	(504,859)	(496,897)	(2,980)	(499,877)
Total comprehensive income for the financial year	–	4,015,963	(504,859)	3,511,104	9,913	3,521,017
Transfers	–	(23,956)	23,956	–	–	–
Change in non-controlling interests	–	779	–	779	2,487	3,266
Dividends	–	(2,043,033)	–	(2,043,033)	(8,681)	(2,051,714)
Shares re-purchased – held in treasury	(212,438)	–	–	(212,438)	–	(212,438)
Shares issued under scrip dividend scheme	267,153	–	–	267,153	–	267,153
Share-based compensation	–	–	40,017	40,017	–	40,017
Reclassification of share-based compensation reserves on expiry	–	127	(127)	–	–	–
Shares issued under share-based compensation plans	41,155	–	(41,155)	–	–	–
Redemption of perpetual capital securities	(847,441)	–	(2,559)	(850,000)	–	(850,000)
Balance at 31 December	7,014,072	21,716,025	8,892,999	37,623,096	189,696	37,812,792
2017						
Balance at 1 January	6,351,013	17,333,616	9,188,560	32,873,189	168,599	33,041,788
Profit for the financial year	–	3,390,291	–	3,390,291	16,365	3,406,656
Other comprehensive income for the financial year	–	(7,214)	434,174	426,960	6,788	433,748
Total comprehensive income for the financial year	–	3,383,077	434,174	3,817,251	23,153	3,840,404
Transfers	–	237,878	(237,878)	–	–	–
Change in non-controlling interests	–	–	(104)	(104)	564	460
Dividends	–	(1,248,622)	–	(1,248,622)	(5,655)	(1,254,277)
Shares issued under scrip dividend scheme	488,241	–	–	488,241	–	488,241
Share-based compensation	–	–	40,491	40,491	–	40,491
Reclassification of share-based compensation reserves on expiry	–	1,229	(1,229)	–	–	–
Shares issued under share-based compensation plans	46,901	–	(46,901)	–	–	–
Perpetual capital securities issued	879,488	–	–	879,488	–	879,488
Balance at 31 December	7,765,643	19,707,178	9,377,113	36,849,934	186,661	37,036,595
Note	14	15	16			

The accounting policies and explanatory notes form an integral part of the financial statements.

	The Bank			
	Share capital and other capital $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
2018				
Balance at 1 January	**7,765,643**	**14,700,659**	**10,045,371**	**32,511,673**
Impact of adopting SFRS(I) 9 (Note 46)	**–**	**96,306**	**(28,816)**	**67,490**
Restated opening balance under SFRS(I) 9	**7,765,643**	**14,796,965**	**10,016,555**	**32,579,163**
Profit for the financial year	**–**	**3,362,908**	**–**	**3,362,908**
Other comprehensive income for the financial year	**–**	**278**	**(414,861)**	**(414,583)**
Total comprehensive income for the financial year	**–**	**3,363,186**	**(414,861)**	**2,948,325**
Transfers	**–**	**335**	**(335)**	**–**
Dividends	**–**	**(2,043,033)**	**–**	**(2,043,033)**
Shares re-purchased – held in treasury	**(212,438)**	**–**	**–**	**(212,438)**
Shares issued under scrip dividend scheme	**267,153**	**–**	**–**	**267,153**
Share-based compensation	**–**	**–**	**40,017**	**40,017**
Reclassification of share-based compensation reserves on expiry	**–**	**127**	**(127)**	**–**
Shares issued under share-based compensation plans	**41,155**	**–**	**(41,155)**	**–**
Redemption of perpetual capital securities	**(847,441)**	**–**	**(2,559)**	**(850,000)**
Balance at 31 December	**7,014,072**	**16,117,580**	**9,597,535**	**32,729,187**
2017				
Balance at 1 January	6,351,013	13,030,819	9,625,481	29,007,313
Profit for the financial year	–	2,844,943	–	2,844,943
Other comprehensive income for the financial year	–	(28)	416,026	415,998
Total comprehensive income for the financial year	–	2,844,915	416,026	3,260,941
Transfers	–	2,475	(2,475)	–
Dividends	–	(1,248,622)	–	(1,248,622)
Shares issued under scrip dividend scheme	488,241	–	–	488,241
Share-based compensation	–	–	40,491	40,491
Reclassification of share-based compensation reserves on expiry	–	1,229	(1,229)	–
Shares issued under share-based compensation plans	46,901	–	(46,901)	–
Perpetual capital securities issued	879,488	–	–	879,488
Transfer from subsidiary upon merger	–	69,843	13,978	83,821
Balance at 31 December	7,765,643	14,700,659	10,045,371	32,511,673
Note	14	15	16	

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 2018

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit for the financial year	4,020,894	3,406,656
Adjustments for:		
Allowance for credit and other losses	392,671	727,438
Share of profit of associates and joint ventures	(105,881)	(110,168)
Tax	805,325	800,113
Depreciation of assets	272,853	258,271
Net loss/(gain) on disposal of assets	13,759	(199,638)
Share-based compensation	39,875	40,679
Operating profit before working capital changes	5,439,496	4,923,351
Change in working capital		
Deposits and balances of banks	2,457,200	(351,437)
Deposits and balances of customers	21,168,219	18,538,858
Bills and drafts payable	(68,088)	177,261
Other liabilities	337,445	(211,792)
Restricted balances with central banks	(18,501)	272,431
Government treasury bills and securities	(2,930,225)	1,478,531
Trading securities	(168,363)	1,429,224
Placements and balances with banks	1,280,078	(12,662,442)
Loans to customers	(27,031,970)	(12,907,167)
Investment securities	(2,851,919)	986,496
Other assets	(511,616)	2,897,367
Cash (used in)/generated from operations	(2,898,244)	4,570,681
Income tax paid	(808,887)	(661,739)
Net cash (used in)/provided by operating activities	(3,707,131)	3,908,942
Cash flows from investing activities		
Capital injection into associates and joint ventures	(46,976)	(47,907)
Acquisition of associates and joint ventures	–	(151)
Proceeds from disposal of associates and joint ventures	110,473	–
Distribution from associates and joint ventures	51,348	43,402
Acquisition of properties and other fixed assets	(516,466)	(349,393)
Proceeds from disposal of properties and other fixed assets	35,399	12,640
Change in non-controlling interests	4,218	494
Net cash used in investing activities	(362,004)	(340,915)
Cash flows from financing activities		
Perpetual capital securities issued	–	879,488
Redemption of perpetual capital securities	(850,000)	–
Issuance of debts issued (Note 22)	40,410,836	44,601,355
Redemption of debts issued (Note 22)	(34,904,484)	(45,066,986)
Shares re-purchased – held in treasury	(212,438)	–
Change in non-controlling interests	(1,731)	70
Dividends paid on ordinary shares	(1,646,509)	(664,981)
Distribution for perpetual capital securities	(129,371)	(95,400)
Dividends paid to non-controlling interests	(8,681)	(5,655)
Net cash provided by/(used in) financing activities	2,657,622	(352,109)
Currency translation adjustments	31,323	(641,456)
Net (decrease)/increase in cash and cash equivalents	(1,380,190)	2,574,462
Cash and cash equivalents at beginning of the financial year	20,975,282	18,400,820
Impact of adopting SFRS(I) 9 at beginning of the financial year (Note 46)	22,021	–
Cash and cash equivalents at end of the financial year (Note 23)	19,617,113	20,975,282

The accounting policies and explanatory notes form an integral part of the financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate Information

United Overseas Bank Limited (the Bank) is a limited liability company incorporated and domiciled in Singapore and listed on the Singapore Exchange. The registered office of the Bank is at 80 Raffles Place, UOB Plaza, Singapore 048624.

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its major subsidiaries are set out in Note 32 to the financial statements.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Bank and its subsidiaries (collectively, the Group) have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) as required by the Singapore Companies Act, and International Financial Reporting Standards (IFRS). In the previous years, the financial statements of the Group were prepared in accordance with Financial Reporting Standards in Singapore (FRS) with modification to FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in the Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning.

Except as otherwise stated, the financial statements have been prepared under the historical cost convention and are presented to the nearest thousand in Singapore Dollars.

(b) Changes in Accounting Policies

(i) Changes during the Financial Year

The Group adopted the following financial reporting standards during the financial year:

- SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)
- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration
- Amendments to FRS incorporated within SFRS(I):
  - 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

There was no impact on the financial statements on application of SFRS(I) 1. As permitted by SFRS(I) 1, the Group has not restated comparatives on adoption of SFRS(I) 9. The cumulative effect of adopting SFRS(I) 9 is recognised in the opening retained earnings (or other component of equity as appropriate) at 1 January 2018. The impact of adopting SFRS(I) 9 on retained earnings and other reserves is shown in the Statement of Changes in Equity and Note 46.

The adoption of the other changes above did not have a significant impact on the Group's financial statements on transition date.

Other than the above, the accounting policies applied by the Group in the financial year were consistent with those adopted in the previous financial year.

2. Summary of Significant Accounting Policies (continued)

(b) Changes in Accounting Policies (continued)

(ii) Minimum Regulatory Loss Allowance

The revised Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning, effective from 1 January 2018, requires Singapore-incorporated Domestic Systemically Important Banks to maintain a Minimum Regulatory Loss Allowance (MRLA) equivalent to 1% of the gross carrying amount of the selected credit exposures net of collaterals. Where the loss allowance provided for under SFRS(I) 9 for the selected credit exposures falls below the MRLA, an additional loss allowance is required to be maintained in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of retained earnings.

Additional loss allowance under MAS Notice 612 was not required on adoption of the revised Notice.

(iii) Changes Subsequent to the Financial Year

The following SFRS(I) that are in issue will apply to the Group for the financial years as indicated:

Effective for the financial year beginning on or after 1 January 2019:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures

Effective for a financial year beginning on or after a date to be determined:

- Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The implications and impact of adopting the above changes are as follows:

SFRS(I) 16 Leases

SFRS(I) 16 introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) for all leases unless they are short term or of low value. Lessor accounting remains substantially unchanged and a lessor continues to account for its leases as operating leases or finance leases accordingly. Adoption of the Standard is not expected to have a significant impact on the Group's financial statements.

Others

Application of the other SFRS(I) listed above is not expected to have a significant impact on the Group's financial statements.

(c) Interests in Other Entities

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Acquisition of subsidiaries is accounted for using the acquisition method. Consideration for the acquisition includes fair value of the assets transferred, liabilities incurred, equity interests issued and contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed are, with limited exceptions, measured at their fair values at the acquisition date. Non-controlling interests are measured at fair value or the proportionate share of the acquiree's net identifiable assets at the acquisition date, determined on a case by case basis. Acquisition-related costs are expensed off when incurred. Goodwill is determined and accounted for in accordance with Note 2h(i).

2. Summary of Significant Accounting Policies (continued)

(c) Interests in Other Entities (continued)

(i) Subsidiaries (continued)

Subsidiaries are consolidated from the date the Group obtains control until the date such control ceases. Intra-group balances and income and expenses are eliminated on consolidation. Adjustments are made to align the accounting policies of the subsidiaries to those of the Group. The portion of profit or loss and net assets of subsidiaries that belong to the non-controlling interests is disclosed separately in the consolidated financial statements. Gain or loss arising from changes of the Bank's interest in subsidiaries is recognised in the income statement if they result in loss of control in the subsidiaries, otherwise, in equity.

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less allowance for impairment, if any, determined on an individual basis.

(ii) Associates and Joint Ventures

Associates are entities in which the Group has significant influence but not control or joint control. This generally coincides with the Group having 20% or more of the voting power of the investees. Joint ventures are entities in which the Group and its joint venturers have joint control and rights to the net assets of the investees.

The Group's investment in associates and joint ventures is accounted for using the equity method from the date the Group obtains significant influence or joint control over the entities until the date such significant influence or joint control ceases. Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entities. Unrealised losses are also eliminated unless they relate to impairment of the assets transferred. Adjustments are made to align the accounting policies of the associates and joint ventures to those of the Group.

Under the equity method, the Group's investment in associates and joint ventures is carried in the balance sheet at cost (including goodwill on acquisition), plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures, less allowance for impairment, if any, determined on an individual basis. The Group recognises its share of the results of operations and changes in other comprehensive income of the associates and joint ventures in the consolidated income statement and in equity respectively. Where the share of losses of an associate or joint venture exceeds the Group's interest in the associate or joint venture, such excess is not recognised in the consolidated income statement.

Upon loss of significant influence over the associates or joint control over the joint ventures, any resulting gain or loss is recognised in the income statement and the related share of reserves is accounted for in the same manner as if the associates or joint ventures have directly disposed of the related assets and liabilities. Any retained investment is measured at its fair value.

In the Bank's separate financial statements, investment in associates and joint ventures is stated at cost less allowance for impairment, if any, determined on an individual basis.

(iii) Joint Operations

Joint operations are arrangements over which the Group and its joint operators have joint control and rights to the assets, and obligations for the liabilities, relating to the arrangements.

The Bank and the Group account for joint operations by taking their share of the relevant assets, liabilities, income and expenses accordingly.

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments – from 1 January 2018

(i) Classification
Financial assets and financial liabilities are classified as follows:

Held for Trading (HFT)
Financial instruments within a held for trading business model are classified and measured at fair value through profit or loss (FVPL). Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Non-Trading Debt Assets
Non-trading debt assets with contractual cash flows that represent solely payments of principal and interest are classified and measured as follows:

- at amortised cost (AC) if they are held within a business model whose objective is to collect contractual cash flows from the assets;
- at fair value through other comprehensive income (FVOCI) if the objective of the business model is both for collection of contractual cash flows and for sale; or
- at fair value through profit or loss (FVPL – designated) if so designated to eliminate or reduce accounting inconsistency.

All other non-trading debt assets are mandatorily classified and measured at fair value through profit or loss (FVPL – mandatory).

Non-Trading Equity Instruments
Non-trading equity instruments are classified and measured at FVPL unless elected at inception to be classified and measured at FVOCI.

Non-Trading Financial Liabilities
Non-trading financial liabilities are classified and measured at AC. They may be classified as FVPL – designated at initial recognition if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

For financial liabilities with embedded derivatives, if the economic characteristics and risks of the embedded derivative is not closely related to the host, the embedded derivative is bifurcated and accounted for separately unless the entire instrument is measured at fair value through profit or loss. If the embedded derivative is closely related to the host, the financial liability is accounted for in its entirety based on the host's classification.

(ii) Measurement

Initial Measurement
Financial instruments are recognised initially at their fair value which is generally the transaction price, reduced by loss allowance for financial assets at amortised cost. Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at fair value through profit or loss.

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments – from 1 January 2018 (continued)

(ii) Measurement (continued)

Subsequent Measurement

Held for trading financial instruments and those FVPL – designated are remeasured at fair value with fair value changes recognised in the income statement; as an exception fair value changes attributable to own credit risk of financial liabilities that are FVPL – designated are taken into other comprehensive income unless this would create accounting mismatch, in which case such fair value changes are taken to income statement. Any such gains or losses recognised in other comprehensive income are not classified to the income statement upon derecognition, but are transferred to retained earnings.

Financial instruments classified as FVOCI are remeasured at fair value with fair value changes taken to the fair value reserve. For debt assets, the fair value change in the fair value reserve is taken to the income statement upon disposal or impairment of the assets. For equity instruments elected to be classified as FVOCI, only dividend income is recognised in income statement. Gains or losses recognised in the fair value reserve are not reclassified to the income statement upon derecognition, but are transferred to retained earnings.

All other financial instruments are measured at AC using the effective interest method less allowance for impairment. Any gain or loss on derecognition is recognised in the income statement.

Interest and dividend income on all non-derivative financial instruments at FVPL are recognised separately from fair value changes. The effective interest rate applied to performing financial assets is on their gross carrying amount. For non-performing financial assets the effective interest rate is applied to the net carrying amount.

Fair Value Determination

Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and ask prices respectively at the balance sheet date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models. Valuation inputs include spot and forward prices, volatilities, correlations and credit spreads.

(iii) Recognition and Derecognition

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the contractual rights to cash flows and risks and rewards associated with the instruments are substantially transferred, cancelled or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and presented net in the balance sheet if there is a current, unconditional and legally enforceable right and intention to settle them simultaneously or on a net basis.

(v) Impairment

Loans, debt assets, undrawn loan commitments and financial guarantees that are not measured at FVPL are subject to credit loss provisioning which is made on an expected loss basis, point-in-time, forward-looking and probability-weighted. Where there is no significant increase in credit risk since initial recognition, expected credit loss (ECL) representing possible default for the next 12 months is required (Stage 1). Lifetime ECL is required for non-credit-impaired financial assets with significant increase in credit risk since initial recognition (Stage 2) and credit-impaired financial assets (Stage 3).

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments – from 1 January 2018 (continued)

(v) Impairment (continued)

The Group considers a range of qualitative and quantitative parameters to assess whether a significant increase in credit risk since initial recognition has occurred. Parameters such as changes in credit risk ratings, delinquency, special mention, behavioural score cards and non-investment grade status are considered where available and relevant. Exposures are considered credit-impaired if they are past due for 90 days or more or exhibit weaknesses which are likely to jeopardise repayments on existing terms. The definition of default is consistent with that used for risk management purposes.

Exposures with significant increase in credit risk are transferred from Stage 1 to Stage 2. Exposures are transferred back to Stage 1 when they no longer meet the criteria for a significant increase in credit risk. Exposures that are credit-impaired are classified as Stage 3 and could be upgraded to Stage 1 or Stage 2 if supported by repayment capability, cash flows and financial position of the borrower and it is unlikely that the exposure will be classified again as credit-impaired in the future.

Although the Group leverages its Basel credit risk models and systems, modifications are required to ensure that outcomes are in line with SFRS(I) 9 ECL requirements. Such modifications include transforming regulatory probabilities of default (PD), loss given default (LGD) and exposure at default (EAD) considering forward-looking information, discount rate and discounting period. Macro-economic variables considered include interest rates, property price indices, unemployment rates, consumer price indices, gross domestic products and equity price indices.

ECL is computed by discounting the product of PD, LGD and EAD to the reporting date at the original effective interest rate or an approximation thereof. The ECL is adjusted with a management overlay where considered appropriate.

Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively while exposures in Stage 3 are individually assessed. Those collectively assessed are grouped based on similar credit risks and assessed on a portfolio basis. ECL is recognised in the income statement.

Financial assets are written off when the prospect of recovery is considered poor or when all avenues of recovery have been exhausted.

(e) Financial Derivatives

Financial derivatives are recognised and measured at fair value initially and subsequently. Derivatives with positive and negative fair values are presented under assets and liabilities in the balance sheet respectively. Fair value changes of derivatives are recognised in the income statement unless they are designated as hedging instruments and accounted for in accordance with Note 2f.

Financial derivatives embedded in non-financial host contracts are bifurcated and accounted for separately if their economic characteristics and risks are not closely related to those of the host contracts and the combined contracts are not carried at FVPL.

(f) Hedge Accounting

The Group has elected to adopt the requirements of SFRS(I) 9 hedge accounting.

(i) Fair Value Hedge

A fair value hedge is a hedge of changes in the fair value of an asset, liability or a firm commitment.

For a fair value hedge of an equity instrument designated at fair value through other comprehensive income, fair value changes of the hedging instrument are recognised in other comprehensive income and presented in retained earnings when the hedge is terminated.

2. Summary of Significant Accounting Policies (continued)

(f) Hedge Accounting (continued)

(i) Fair Value Hedge (continued)

For other fair value hedges, fair value changes of the hedging instrument are recognised in the income statement. Fair value changes of the hedged item attributable to the hedged risk are taken to the income statement with a corresponding adjustment made to the carrying amount of the hedged item. The adjustment is amortised over the expected life of the hedged item when the hedge is terminated and taken to income statement upon disposal of the hedged item.

(ii) Cash Flow Hedge

A cash flow hedge is a hedge of the variability in the cash flows of an asset, liability or highly probable forecast transaction.

Fair value changes of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and taken to the hedge reserve under equity while those relating to the ineffective portion are recognised in the income statement. If the hedge transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedge reserve is transferred and included in the initial carrying amount of the hedged item.

For other cash flow hedges, the amount in the hedge reserve is transferred to the income statement at the same time as the cash flow of the hedged item is recognised in the income statement or immediately when the forecasted hedged item is no longer expected to occur.

(iii) Hedge of Net Investment in a Foreign Operation

A hedge of a net investment in a foreign operation is a hedge of foreign exchange rate fluctuation on the net assets of a foreign operation.

Fair value changes of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and taken to the foreign currency translation reserve under equity while those relating to the ineffective portion are recognised in the income statement. The amount taken to the reserve is transferred to the income statement upon disposal of the foreign operation.

(g) Investment Properties and Fixed Assets

Investment properties and fixed assets are stated at cost less accumulated depreciation and impairment allowance.

Investment properties are properties held for rental income and/or capital appreciation while owner-occupied properties are those for office use.

Freehold land and leasehold land with remaining leases of 100 years or more are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over their expected useful lives of three to ten years. The expected useful life, depreciation method and residual value of investment properties and fixed assets are reviewed annually.

Investment properties and fixed assets are reviewed for impairment when events or changes in circumstances indicate that their recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts.

Investment properties and fixed assets are derecognised upon disposal and the resulting gain or loss is recognised in the income statement.

Notes to the Financial Statements

for the financial year ended 31 December 2018

2. Summary of Significant Accounting Policies (continued)

(h) Intangible assets

(i) Goodwill

Goodwill in a business combination represents the excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Where (b) exceeds (a) and the measurement of all amounts has been reviewed, the gain is recognised in the income statement. Goodwill is measured at cost less accumulated impairment allowance, if any.

Goodwill is reviewed for impairment annually or more frequently if the circumstances indicate that its carrying amount may be impaired. At the date of acquisition, goodwill is allocated to the cash-generating units (CGU) expected to benefit from the synergies of the business combination. The Group's CGU correspond with the operating segments reported in Note 43a. Where the recoverable amount, being the higher of fair value less cost to sell and value in use, of a CGU is below its carrying amount, the impairment allowance is recognised in the income statement and subsequent reversal is not allowed.

(ii) Other Intangible Assets

Other intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, they are measured at cost less accumulated amortisation and impairment allowance, if any.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortisation charges are recognised in the income statement. The useful life and amortisation method are reviewed annually.

Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually or more frequently if the circumstances indicate that the recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts.

(i) Foreign Currencies

(i) Foreign Currency Transactions

On initial recognition, transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rate ruling at the transaction date. Subsequent to initial recognition, monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the income statement. Exchange differences arising from monetary items that form part of the net investment in foreign operations, or on foreign currency borrowings that provide a hedge against a net investment in a foreign operation, are recognised initially in the foreign currency translation reserve in the consolidated balance sheet, and subsequently in the consolidated income statement on disposal of the foreign operation.

2. Summary of Significant Accounting Policies (continued)

(i) Foreign Currencies (continued)

(ii) Foreign Operations

Income and expenses of foreign operations are translated into Singapore Dollars at the exchange rate prevailing at each respective month-end which approximates the exchange rate at the transaction date. Foreign operations' assets and liabilities are translated at the exchange rate ruling at the balance sheet date. All resultant exchange differences are recognised in the foreign currency translation reserve, and subsequently to the consolidated income statement upon disposal of the foreign operations. In the case of a partial disposal without loss of control of a subsidiary, the proportionate share of the accumulated exchange differences are not recognised in the income statement but re-attributed to the non-controlling interests. For partial disposal of an associate or joint venture, the proportionate share of the accumulated exchange differences is reclassified to income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are recorded in the functional currency of the foreign operations and translated at the exchange rate at the balance sheet date. For acquisitions prior to 1 January 2005, goodwill and fair value adjustments were recorded in Singapore Dollars at the exchange rate prevailing at the date of acquisition.

(j) Tax

(i) Current Tax

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax law applied are those that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred Tax

Deferred tax is provided on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax is measured at the tax rate that is expected to apply when the assets are realised or the liabilities are settled, based on the tax rate and tax law that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is not provided for temporary differences arising from (a) initial recognition of goodwill, (b) initial recognition of an asset or liability that is not a business combination and that does not affect accounting or taxable profit at the time of the transaction and (c) taxable temporary differences related to investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Where gains and losses are recognised directly in equity, the related deferred tax is also taken to equity.

(iii) Offsetting

Current and deferred tax assets are offset with current and deferred tax liabilities respectively if (a) there is a legally enforceable right and intention to settle them simultaneously or on a net basis, (b) they are of the same tax reporting entity or group and (c) they relate to the same tax authority.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources to settle the obligation is probable and can be reliably estimated. Provisions are recognised at the best estimate of the amount required to settle the obligation. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(l) Financial Guarantees

Financial guarantees are recognised initially at their fair value which is generally the fees received. The fees are recognised on a straight-line basis over the contractual terms. Subsequent to initial recognition, the liabilities are measured at the higher of their carrying amount and the estimated expenditure required to settle the obligations.

2. Summary of Significant Accounting Policies (continued)

(m) Undrawn Credit Facilities

Undrawn credit facilities (both revocable and irrevocable) are recorded under commitments and the amount is adjusted for subsequent drawdowns.

(n) Contingent Liabilities

Contingent liabilities are only recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

(o) Revenue Recognition

Interest income is recognised using the effective interest method.

Dividend income is recognised when the right to receive it is established.

Fee and commission income is recognised when control of the good or service is transferred. For services that are provided over a period of time, fee and commission income is recognised over the service period.

Rental income is recognised on a time proportion basis.

(p) Employee Compensation/Benefits

Base salaries, cash bonuses, allowances, commissions and defined contributions under regulations are recognised in the income statement when incurred. Leave entitlements are recognised when they accrue to employees based on contractual terms of employment.

Cost of share-based compensation, being the fair value of the equity instrument at grant date, is expensed to the income statement over the vesting period with a corresponding adjustment to the share-based compensation reserve. The cost is reviewed and adjusted accordingly at each balance sheet date to reflect the number of equity instruments expected to vest ultimately.

(q) Dividend Payment

Dividends are accounted for as an appropriation of retained earnings. Interim dividends on ordinary shares and dividends on preference shares are recorded when declared payable while final dividends on ordinary shares are recognised upon approval of equity holders.

(r) Treasury Shares

Ordinary shares of the Bank reacquired are accounted for as treasury shares. Consideration paid, including directly attributable costs, is presented as a deduction from equity. Subsequent cancellation, sale or reissuance of treasury shares is recognised as changes in equity.

(s) Critical Accounting Estimates and Judgements

Preparation of the financial statements involves making certain assumptions and estimates. This often requires management's judgement for the appropriate policies, assumptions, inputs and methodologies to be used. As judgements are made based on information available at the time the financial statements are prepared, the ultimate results could differ from those disclosed in the statements due to subsequent changes in the information. The following provides a brief description of the Group's critical accounting estimates that involve management's judgement.

(i) Allowance for Impairment of Financial Assets

Allowance for impairment of financial assets is determined in accordance with Note 2d(v) and Note 2t(iii). This requires management's experience and significant judgement. The process involves assessing various factors such as economic indicators, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral.

(ii) Classification of Financial Assets

Classification of financial assets is determined in accordance with Note 2d(i) and 2t(i). On adoption of SFRS(I) 9, management judgement was required concerning business model assessment and determination of whether contractual cash flows can be considered as solely payments of principal and interest.

2. Summary of Significant Accounting Policies (continued)

(s) Critical Accounting Estimates and Judgements (continued)

(iii) Fair Valuation of Financial Instruments

Fair value of financial instruments is determined in accordance with Notes 2d(ii) and 18a. Valuation of financial instruments that are not quoted in the market or with complex structures requires considerable judgement of management in selecting the appropriate valuation models and data inputs.

(iv) Goodwill

Goodwill is reviewed for impairment in accordance with Notes 2h(i) and 36b. The process requires management's assessment of key factors such as future economic growth, business forecasts and discount rates.

(v) Income Taxes

Income taxes are provided in accordance with Note 2j. The Group is subject to income taxes in various jurisdictions. Provision for these taxes involves interpretation of the tax regulations on certain transactions and computations. In cases of uncertainty, provision is estimated based on the technical merits of the situation.

(t) Financial Instruments – before 1 January 2018

The following represent key differences in the significant accounting policies for financial instruments in the comparative periods.

(i) Classification

Financial assets and financial liabilities are classified as follows:

At Fair Value Through Profit or Loss

Financial instruments are classified as fair value through profit or loss if they are held for trading or designated as such upon initial recognition.

Financial instruments are classified as held for trading if they are acquired for short-term profit taking.

Financial instruments may be designated as fair value through profit or loss if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the intention and ability to hold the assets till maturity.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-sale

Non-derivative financial assets that are not classified into any of the preceding categories and are available-for-sale are classified in this category.

Non-trading Liabilities

Non-derivative financial liabilities that are not held for active trading or designated as fair value through profit or loss are classified as non-trading liabilities.

2. Summary of Significant Accounting Policies (continued)

(t) Financial Instruments – before 1 January 2018 (continued)

(ii) Measurement

Initial Measurement
Financial instruments are recognised initially at their fair value which is generally the transaction price. Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at fair value through profit or loss.

Subsequent Measurement
Financial instruments classified as held for trading and designated as fair value through profit or loss are measured at fair value with fair value changes recognised in the income statement.

Available-for-sale financial assets are measured at fair value with fair value changes taken to the fair value reserve, and subsequently to the income statement upon disposal or impairment of the assets.

All other financial instruments are measured at amortised cost using the effective interest method less allowance for impairment.

Interest and dividend income on all non-derivative financial instruments at fair value through profit or loss are recognised separately from fair value changes.

(iii) Total Allowance

Specific Allowance
Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each balance sheet date. Allowance for impairment is recognised when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped based on similar credit risks and assessed on a portfolio basis.

For financial assets carried at amortised cost, allowance for impairment is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in the income statement.

For available-for-sale financial assets, allowance for impairment is determined as the difference between the assets' cost and the current fair value, less any allowance for impairment previously recognised in the income statement. The loss is transferred from the fair value reserve to the income statement. For available-for-sale equity instruments, subsequent recovery of the allowance for impairment is written back to the fair value reserve.

Financial assets are written off when all avenues of recovery have been exhausted.

General Allowance
General allowance is made for estimated losses inherent in but not currently identifiable to individual financial assets. The allowance is made based on management's experience and judgement and taking into account country and portfolio risks. The Group maintains general allowance of at least 1% of its credit exposure net of collateral and specific allowance in accordance with the transitional provision set out in MAS Notice 612.

3. Interest Income

	The Group		The Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Loans to customers	**8,843,599**	7,474,221	**5,842,868**	4,659,141
Placements and balances with banks	**1,531,911**	997,042	**1,249,414**	722,647
Government treasury bills and securities	**406,386**	313,212	**209,044**	141,147
Trading and investment securities	**359,067**	292,073	**321,514**	272,707
	11,140,963	9,076,548	**7,622,840**	5,795,642
Of which, interest income on:				
Impaired financial assets	**17,797**	13,295	**12,008**	8,247
Financial assets measured at amortised cost	**10,701,453**	NA	**7,242,980**	NA
Financial assets measured at fair value through other comprehensive income	**344,675**	NA	**328,305**	NA

NA denotes not applicable due to adoption of SFRS(I) 9.

4. Interest Expense

	The Group		The Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deposits of customers	**4,082,519**	3,017,785	**2,628,773**	1,659,851
Deposits and balances of banks and debts issued	**838,479**	530,696	**750,973**	468,745
	4,920,998	3,548,481	**3,379,746**	2,128,596
Of which, interest expense on:				
Financial liabilities measured at amortised cost	**4,888,432**	NA	**3,347,848**	NA
Financial liabilities at fair value through profit or loss	**32,566**	28,136	**31,898**	26,121

NA denotes not applicable due to adoption of SFRS(I) 9.

5. Net Fee and Commission Income

	The Group		The Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Credit card [1]	439,821	403,636	315,325	292,914
Fund management	260,881	239,314	10,044	5,422
Wealth management	543,467	547,196	451,830	463,787
Loan-related [2]	545,162	471,390	440,946	386,535
Service charges	153,559	147,763	128,749	119,113
Trade-related [3]	296,412	272,281	193,582	175,997
Others	63,274	79,872	27,891	26,689
	2,302,576	2,161,452	1,568,367	1,470,457
Fee and commission expenses [4]	(335,884)	(288,627)	(206,619)	(171,960)
Net fee and commission income	1,966,692	1,872,825	1,361,748	1,298,497
Of which, fee and commission from:				
Financial assets not measured at fair value through profit or loss	432,212	374,916	362,361	309,555
Provision of trust and other fiduciary services	10,990	11,845	9,822	10,373

(1) Credit card fees are net of interchange fees paid.
(2) Loan-related fees includes fees earned from corporate finance activities.
(3) Trade-related fees includes trade, remittance and guarantees related fees.
(4) Relates to fee and commission expenses that were directly attributable to the fee and commission income. Previously, these were classified within revenue-related expenses. Prior year comparatives have been restated to conform with current year's presentation.

6. Net Trading Income

	The Group		The Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Net gain/(loss) from:				
Foreign exchange	648,299	432,139	505,894	400,690
Interest rate and others	(14,355)	369,839	(56,595)	225,405
Financial assets designated as fair value through profit or loss	–	7,533	–	–
Financial liabilities designated as fair value through profit or loss	48,814	(34,426)	52,589	(27,429)
	682,758	775,085	501,888	598,666

7. Net (Loss)/Gain from Investment Securities

	The Group		The Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Fair value through other comprehensive income /Available-for-sale	(32,272)	126,620	(40,405)	102,638
Amortised cost/Loans and receivables	(341)	342	2,479	4,173
Fair value through profit or loss – mandatory	(2,875)	–	(9,006)	–
	(35,488)	126,962	(46,932)	106,811

8. Other Income

	The Group		The Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Net gain/(loss) from:				
Disposal of investment properties	14,046	9,125	14,046	9,125
Disposal of fixed assets	8,902	486	8,165	(15)
Disposal/liquidation of subsidiaries, associates or joint ventures	(3,260)	(1,882)	(438)	9,691
Others	116,464	109,743	137,467	125,822
	136,152	117,472	159,240	144,623

9. Staff Costs

	The Group		The Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Salaries, bonuses and allowances	1,929,699	1,780,841	1,141,058	1,084,081
Employer's contribution to defined contribution plans	173,675	160,626	100,867	96,269
Share-based compensation	39,875	40,679	30,865	31,428
Others	303,794	241,902	189,414	135,668
	2,447,043	2,224,048	1,462,204	1,347,446
Of which, the Bank's directors' remuneration	10,563	9,375	10,563	9,375

10. Other Operating Expenses

	The Group		The Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revenue-related	592,393	600,404	299,721	328,202
Occupancy-related	321,473	332,284	200,382	205,064
IT-related	414,422	365,271	373,670	323,169
Others	227,984	216,597	144,645	128,777
	1,556,272	1,514,556	1,018,418	985,212
Of which:				
Advisory/Directors' fees	5,140	5,064	3,655	3,723
Depreciation of assets	272,852	258,271	181,665	159,403
Rental expenses	134,994	128,575	87,081	88,861
Auditors' remuneration paid/payable to:				
Auditors of the Bank	3,312	3,088	2,536	2,374
Affiliates of auditors of the Bank	2,584	2,135	815	705
Other auditors	212	195	31	117
Non-audit fees paid/payable to:				
Auditors of the Bank	678	628	618	565
Affiliates of auditors of the Bank	746	891	475	485
Other auditors	257	166	174	140
Expenses on investment properties	58,148	52,262	41,226	40,381
Fee expenses arising from financial liabilities not at fair value through profit or loss	54,792	59,924	19,262	23,519

11. Allowance for Credit and Other Losses

	The Group		The Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Stage 1 and 2 ECL/General allowance	19,240	(747,323)	(13,549)	(776,730)
Stage 3 ECL/Specific allowance for:				
Loans (Note 27d)	376,058	1,406,948	98,977	1,077,065
Others	(5,205)	67,813	(16,664)	28,847
Allowance for other losses	2,578	–	90,800	–
	392,671	727,438	159,564	329,182

12. Tax

The tax charge to the income statements comprises the following:

	The Group		The Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
On profit of the financial year				
Current tax	824,486	801,588	582,456	574,015
Deferred tax	20,086	(16,808)	28,285	12,224
	844,572	784,780	610,741	586,239
(Over)/under-provision of prior year tax				
Current tax	(38,206)	(3,337)	(30,542)	(4,683)
Deferred tax	(9,954)	335	(10,147)	(721)
Effect of change in tax rate	(1,638)	–	(1,625)	–
Share of tax of associates and joint ventures	10,551	18,335	–	–
	805,325	800,113	568,427	580,835

The tax charge on profit for the financial year differs from the theoretical amount computed using Singapore corporate tax rate due to the following factors:

	The Group		The Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Operating profit after allowance	4,720,338	4,096,601	3,931,335	3,425,778
Prima facie tax calculated at tax rate of 17% (2017: 17%)	802,457	696,422	668,327	582,382
Effect of:				
Income taxed at concessionary rates	(84,326)	(40,893)	(84,521)	(40,324)
Different tax rates in other countries	119,770	125,829	58,423	74,376
Income not subject to tax	(31,140)	(31,433)	(57,394)	(41,854)
Expenses not deductible for tax	36,412	42,193	24,784	12,140
Others	1,399	(7,338)	1,122	(481)
Tax expense on profit of the financial year	844,572	784,780	610,741	586,239

13. Earnings Per Share

Basic and diluted earnings per share (EPS) are determined as follows:

	The Group	
	2018	2017
Profit attributable to equity holders of the Bank ($'000)	4,008,001	3,390,291
Distribution of perpetual capital securities ($'000)	(111,058)	(102,322)
Adjusted profit ($'000)	3,896,943	3,287,969
Weighted average number of ordinary shares ('000)		
In issue	1,665,161	1,650,540
Adjustment for potential ordinary shares under share-based compensation plans	6,191	6,572
Diluted	1,671,352	1,657,112
EPS ($)		
Basic	2.34	1.99
Diluted	2.33	1.98

14. Share Capital and Other Capital

(a)

	2018		2017	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Ordinary shares				
Balance at 1 January	1,671,534	4,965,567	1,646,966	4,477,326
Shares issued under scrip dividend scheme	9,007	267,153	24,568	488,241
Balance at 31 December	1,680,541	5,232,720	1,671,534	4,965,567
Treasury shares				
Balance at 1 January	(8,879)	(173,896)	(11,274)	(220,797)
Share re-purchased – held in treasury	(7,902)	(212,438)	–	–
Shares issued under share-based compensation plans	1,947	41,155	2,395	46,901
Balance at 31 December	(14,834)	(345,179)	(8,879)	(173,896)
Ordinary share capital	1,665,707	4,887,541	1,662,655	4,791,671
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	–	–	–	847,441
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	–	498,552	–	498,552
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	–	748,491	–	748,491
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017	–	879,488	–	879,488
Share capital and other capital of the Bank and the Group		7,014,072		7,765,643

(b) The ordinary shares have no par value and are fully paid. The holders of ordinary shares (excluding treasury shares) have unrestricted rights to dividends, return of capital and voting.

(c) During the financial year, the Bank issued 1,947,000 (2017: 2,395,000) treasury shares to participants of the share-based compensation plans.

14. Share Capital and Other Capital (continued)

(d) The 4.75% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 19 November 2013. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 19 November 2019 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4.75% per annum, subject to a reset on 19 November 2019 (and every six years thereafter) to a rate equal to the prevailing six-year Singapore Dollar SOR plus the initial margin of 2.92%. Distributions are payable semi-annually on 19 May and 19 November of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

The capital securities constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without preference among themselves.

(e) The 4.00% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 18 May 2016. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 18 May 2021 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4.00% per annum, subject to a reset on 18 May 2021 (and every five years thereafter) to a rate equal to the prevailing five-year Singapore Dollar SOR plus the initial margin of 2.035%. Distributions are payable semi-annually on 18 May and 18 November of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

The capital securities constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without preference among themselves.

(f) The 3.875% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 19 October 2017. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 19 October 2023 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 3.875% per annum, subject to a reset on 19 October 2023 (and every five years thereafter) to a rate equal to the prevailing five-year United States Dollar Swap Rate plus the initial spread of 1.794%. Distributions are payable semi-annually on 19 April and 19 October of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

The capital securities constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without preference among themselves.

15. Retained Earnings

(a)

	The Group		The Bank	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**19,707,178**	17,333,616	**14,700,659**	13,030,819
Impact of adopting SFRS(I) 9 (Note 46)	**58,967**	–	**96,306**	–
Restated opening balance under SFRS(I) 9	**19,766,145**	17,333,616	**14,796,965**	13,030,819
Profit for the financial year attributable to equity holders of the Bank	**4,008,001**	3,390,291	**3,362,908**	2,844,943
Net gains on equity instruments at fair value through other comprehensive income	**60**	–	**407**	–
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**(55)**	–	**(55)**	–
Remeasurement of defined benefit obligation	**7,957**	(7,214)	**(74)**	(28)
Transfer from/(to) other reserves	**(23,956)**	237,878	**335**	2,475
Reclassification of share-based compensation reserves on expiry	**127**	1,229	**127**	1,229
Change in non-controlling interests	**779**	–	**–**	–
Transfer from subsidiary upon merger	**–**	–	**–**	69,843
Dividends				
Ordinary shares				
Final dividend of 45 cents (2017: 35 cents) and special dividend of 20 cents (2017: nil) tax-exempt per share paid in respect of prior financial year	**(1,079,563)**	(572,532)	**(1,079,563)**	(572,532)
Interim dividend of 50 cents (2017: 35 cents) tax-exempt per share paid in respect of the financial year	**(834,099)**	(580,690)	**(834,099)**	(580,690)
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	**(41,650)**	(41,650)	**(41,650)**	(41,650)
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	**(23,750)**	(23,750)	**(23,750)**	(23,750)
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	**(30,000)**	(30,000)	**(30,000)**	(30,000)
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017	**(33,971)**	–	**(33,971)**	–
	(2,043,033)	(1,248,622)	**(2,043,033)**	(1,248,622)
Balance at 31 December	**21,716,025**	19,707,178	**16,117,580**	14,700,659

(b) The retained earnings are distributable reserves except for an amount of $535 million (2017: $554 million), being the Group's share of revenue reserves of associates and joint ventures which is distributable only upon realisation by way of dividend from or disposal of investment in the associates and joint ventures.

(c) In respect of the financial year ended 31 December 2018, the directors have proposed a final tax-exempt dividend of 50 cents and a special tax-exempt dividend of 20 cents per ordinary share amounting to a total dividend of $1,166 million. The proposed dividend will be accounted for in Year 2019 financial statements upon approval of the equity holders of the Bank.

16. Other Reserves

(a)

	The Group								
	Fair value reserve $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Share of reserves of associates and joint ventures $'000	Others $'000	Total $'000
2018									
Balance at 1 January	1,375,956	(1,391,004)	71,825	3,065,676	341,292	6,216,161	81,373	(384,166)	9,377,113
Impact of adopting SFRS(I) 9 (Note 46)	613	–	–	–	–	–	–	–	613
Restated opening balance under SFRS(I) 9	1,376,569	(1,391,004)	71,825	3,065,676	341,292	6,216,161	81,373	(384,166)	9,377,726
Other comprehensive income for the financial year	(429,716)	(72,018)	–	–	–	–	(3,125)	–	(504,859)
Transfers	–	–	–	(1,238)	37,137	–	–	(11,943)	23,956
Share-based compensation	–	–	40,017	–	–	–	–	–	40,017
Reclassification of share-based compensation reserves on expiry	–	–	(127)	–	–	–	–	–	(127)
Shares issued under share-based compensation plans	–	–	(37,566)	–	–	–	–	(3,589)	(41,155)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	(2,559)	(2,559)
Balance at 31 December	946,853	(1,463,022)	74,149	3,064,438	378,429	6,216,161	78,248	(402,257)	8,892,999
2017									
Balance at 1 January	874,933	(1,329,839)	77,791	3,068,151	536,092	6,198,968	87,161	(324,697)	9,188,560
Other comprehensive income for the financial year	501,127	(61,165)	–	–	–	–	(5,788)	–	434,174
Transfers	–	–	–	(2,475)	(194,800)	17,193	–	(57,796)	(237,878)
Share-based compensation	–	–	40,491	–	–	–	–	–	40,491
Reclassification of share-based compensation reserves on expiry	–	–	(1,229)	–	–	–	–	–	(1,229)
Shares issued under share-based compensation plans	–	–	(45,228)	–	–	–	–	(1,673)	(46,901)
Change in non-controlling interests	(104)	–	–	–	–	–	–	–	(104)
Balance at 31 December	1,375,956	(1,391,004)	71,825	3,065,676	341,292	6,216,161	81,373	(384,166)	9,377,113

16. Other Reserves (continued)

(a) (continued)

	The Bank							
	Fair value reserve $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Others $'000	Total $'000
2018								
Balance at 1 January	1,331,803	(83,153)	71,825	3,065,676	–	5,720,021	(60,801)	10,045,371
Impact of adopting SFRS(I) 9 (Note 46)	(28,816)	–	–	–	–	–	–	(28,816)
Restated opening balance under SFRS(I) 9	1,302,987	(83,153)	71,825	3,065,676	–	5,720,021	(60,801)	10,016,555
Other comprehensive income for the financial year	(404,902)	(9,959)	–	–	–	–	–	(414,861)
Transfers	–	–	–	(1,238)	903	–	–	(335)
Share-based compensation	–	–	40,017	–	–	–	–	40,017
Reclassification of share-based compensation reserves on expiry	–	–	(127)	–	–	–	–	(127)
Shares issued under share-based compensation plans	–	–	(37,566)	–	–	–	(3,589)	(41,155)
Redemption of perpetual capital securities	–	–	–	–	–	–	(2,559)	(2,559)
Balance at 31 December	898,085	(93,112)	74,149	3,064,438	903	5,720,021	(66,949)	9,597,535
2017								
Balance at 1 January	884,813	(52,189)	77,791	3,068,151	–	5,678,153	(31,238)	9,625,481
Other comprehensive income for the financial year	446,990	(30,964)	–	–	–	–	–	416,026
Transfers	–	–	–	(2,475)	–	–	–	(2,475)
Share-based compensation	–	–	40,491	–	–	–	–	40,491
Reclassification of share-based compensation reserves on expiry	–	–	(1,229)	–	–	–	–	(1,229)
Shares issued under share-based compensation plans	–	–	(45,228)	–	–	–	(1,673)	(46,901)
Transfer from subsidiary upon merger	–	–	–	–	–	41,868	(27,890)	13,978
Balance at 31 December	1,331,803	(83,153)	71,825	3,065,676	–	5,720,021	(60,801)	10,045,371

(b) Fair value reserve contains cumulative fair value changes of fair value through other comprehensive income/available-for-sale financial assets and changes attributable to own credit risk. The cumulative amount attributable to own credit risk is an unrealised gain of $65 million (2017: $52 million). Realised gains or losses attributable to changes in own credit risk is insignificant.

(c) Foreign currency translation reserve represents differences arising from the use of year end exchange rates versus historical rates in translating the net assets of foreign operations, net of the effective portion of the fair value changes of related hedging instruments.

(d) Share-based compensation reserve reflects the Bank's and the Group's commitments under the share-based compensation plans.

(e) Merger reserve represents the premium on shares issued in connection with the acquisition of Overseas Union Bank Limited.

(f) Statutory reserve is maintained in accordance with the provisions of applicable laws and regulations. This reserve is non-distributable unless otherwise approved by the relevant authorities.

(g) General reserve has not been earmarked for any specific purpose.

(h) Share of reserves of associates and joint ventures comprises the Group's share of associates' and joint ventures' reserves, other than retained earnings. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates and joint ventures.

(i) Other reserves are maintained for capital related transactions such as transactions associated with non-controlling interests, business combination and bonus share issuance by subsidiaries.

17. Classification of Financial Assets and Financial Liabilities

(a)

	The Group					
	HFT $'000	FVPL -mandatory $'000	FVPL -designated $'000	FVOCI $'000	AC $'000	Total $'000
2018						
Cash, balances and placements with central banks	3,344,181	–	–	1,080,630	20,827,686	25,252,497
Singapore Government treasury bills and securities	271,877	–	–	5,342,700	–	5,614,577
Other government treasury bills and securities	704,691	–	4,341	12,469,637	22,198	13,200,867
Trading securities	1,928,520	–	–	–	–	1,928,520
Placements and balances with banks	11,567,045	–	–	6,050,347	33,182,121	50,799,513
Loans to customers	3,933,353	–	–	–	254,693,918	258,627,271
Derivative financial assets	5,730,057	–	–	–	–	5,730,057
Investment securities						
Debt	–	1,937	–	9,296,383	843,638	10,141,958
Equity	–	1,062,075	–	2,349,070	–	3,411,145
Other assets	1,763,305	–	–	3,257	2,669,655	4,436,217
Total financial assets	29,243,029	1,064,012	4,341	36,592,024	312,239,216	379,142,622
Non-financial assets						8,949,733
Total assets						388,092,355
Deposits and balances of banks and customers	1,099,886	–	1,774,689	–	304,111,886	306,986,461
Bills and drafts payable	–	–	–	–	637,675	637,675
Derivative financial liabilities	5,839,999	–	–	–	–	5,839,999
Other liabilities	847,790	–	–	–	4,313,566	5,161,356
Debts issued	–	–	1,548,703	–	29,056,908	30,605,611
Total financial liabilities	7,787,675	–	3,323,392	–	338,120,035	349,231,102
Non-financial liabilities						1,048,461
Total liabilities						350,279,563

17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Group				
	Held for trading $'000	Designated as fair value through profit or loss $'000	Available-for-sale $'000	Loans and receivables/ amortised cost $'000	Total $'000
2017					
Cash, balances and placements with central banks	3,498,227	–	1,256,325	21,870,417	26,624,969
Singapore Government treasury bills and securities	273,413	–	3,993,766	–	4,267,179
Other government treasury bills and securities	2,367,286	4,186	9,337,346	–	11,708,818
Trading securities	1,765,963	–	–	–	1,765,963
Placements and balances with banks	8,810,279	–	3,613,863	39,756,883	52,181,025
Loans to customers	3,401,517	–	–	228,810,229	232,211,746
Derivative financial assets	5,780,915	–	–	–	5,780,915
Investment securities					
Debt	–	–	7,691,525	384,481	8,076,006
Equity	–	10,874	3,186,000	–	3,196,874
Other assets	975,832	53,050	3,084	3,074,984	4,106,950
Total financial assets	26,873,432	68,110	29,081,909	293,896,994	349,920,445
Non-financial assets					8,671,918
Total assets					358,592,363
Deposits and balances of banks and customers	819,862	1,862,059	–	281,523,686	284,205,607
Bills and drafts payable	–	–	–	702,330	702,330
Derivative financial liabilities	5,530,748	–	–	–	5,530,748
Other liabilities	739,649	–	–	4,106,152	4,845,801
Debts issued	–	1,539,182	–	23,639,219	25,178,401
Total financial liabilities	7,090,259	3,401,241	–	309,971,387	320,462,887
Non-financial liabilities					1,092,881
Total liabilities					321,555,768

17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Bank					
	HFT $'000	FVPL -mandatory $'000	FVPL -designated $'000	FVOCI $'000	AC $'000	Total $'000
2018						
Cash, balances and placements with central banks	3,025,434	–	–	877,052	16,880,024	20,782,510
Singapore Government treasury bills and securities	271,876	–	–	5,337,234	–	5,609,110
Other government treasury bills and securities	486,935	–	–	5,159,278	22,198	5,668,411
Trading securities	1,794,810	–	–	–	–	1,794,810
Placements and balances with banks	11,161,701	–	–	3,896,146	24,754,310	39,812,157
Loans to customers	3,909,826	–	–	–	197,879,056	201,788,882
Placements with and advances to subsidiaries	679,514	–	–	–	15,683,188	16,362,702
Derivative financial assets	4,343,866	–	–	–	–	4,343,866
Investment securities						
Debt	–	–	–	8,239,077	765,622	9,004,699
Equity	–	562,720	–	2,100,950	–	2,663,670
Other assets	1,439,171	–	–	1,423	1,386,313	2,826,907
Total financial assets	27,113,133	562,720	–	25,611,160	257,370,711	310,657,724
Non-financial assets						12,460,771
Total assets						323,118,495
Deposits and balances of banks, customers and subsidiaries	1,022,515	–	1,774,689	–	250,094,520	252,891,724
Bills and drafts payable	–	–	–	–	359,074	359,074
Derivative financial liabilities	4,487,314	–	–	–	–	4,487,314
Other liabilities	683,366	–	–	–	2,279,008	2,962,374
Debts issued	–	–	1,548,703	–	27,356,338	28,905,041
Total financial liabilities	6,193,195	–	3,323,392	–	280,088,940	289,605,527
Non-financial liabilities						783,781
Total liabilities						290,389,308

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

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 40.

(c) For the financial instruments designated as fair value through profit or loss, the amounts payable at maturity are as follows:

	The Group		The Bank	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Financial liabilities				
Deposits and balances of banks, customers and subsidiaries	**1,826,013**	1,905,376	**1,826,013**	1,696,373
Debts issued	**1,760,211**	1,638,341	**1,760,211**	1,638,341
	3,586,224	3,543,717	**3,586,224**	3,334,714

18. Fair Values of Financial Instruments

(a) The valuation process adopted by the Group is governed by the valuation, market data, and reserve policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation processes incorporating the market rates, the methodologies and models, including the analysis of the valuation are regularly reviewed by Group Risk Management. Processes and controls are also subject to periodic reviews by internal auditors.

The valuation inputs are independently verified by checking against information from market sources. These are applicable to products or instruments with liquid markets or those traded on an exchange. Where market prices are not liquid, additional techniques will be used such as historical estimation or available proxies as additional reasonableness checks. Where products or instruments are complex, the Group utilises approved valuation models. All valuation models are independently validated by Group Risk Management.

Fair value for instruments classified as Level 2 use inputs such as yield curves, volatilities and market prices which are observable and of high reliability.

When unobservable inputs are used in the valuation models for Level 3 financial assets or liabilities, apart from utilising market proxies, other valuation techniques such as cash flow, profit and loss or net asset value in financial statements are used as a reasonableness check.

The valuation process is supplemented by valuation reserves to adjust for valuation uncertainties. Valuation reserve methodologies and adjustments are approved by the Group Asset and Liability Committee (ALCO).

The valuation adjustments or reserves set aside include bid/offer rate adjustments, illiquidity adjustments and other adjustments such as Day 1 profit reserves, where applicable. Adjustments are also considered for use of proxies, models or estimated parameters.

For financial instruments carried at amortised cost, their fair values are determined as follows:

- For cash, balances, placements and deposits of central banks, banks and subsidiaries, deposits of customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts;
- For loans and deposits of customers, non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes or using the discounted cash flow method; and
- For subordinated notes issued, fair values are determined based on quoted market prices.

Except for the following items, fair values of the financial instruments carried at amortised cost were assessed to be not materially different from their carrying amounts.

	The Group		The Bank	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
2018				
Debts issued	**29,056,909**	**29,245,715**	**27,356,338**	**27,545,033**
2017				
Debts issued	23,639,219	23,800,641	22,350,571	22,508,882

18. Fair Values of Financial Instruments (continued)

(b) The Group classifies financial instruments carried at fair value by level following the fair value measurement hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical financial instruments
- Level 2 – Inputs other than quoted prices that are observable either directly or indirectly
- Level 3 – Inputs that are not based on observable market data

	The Group					
	2018			2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Cash, balances and placements with central banks	**1,565,728**	**2,859,083**	**–**	1,108,730	3,645,822	–
Singapore Government treasury bills and securities	**5,614,577**	**–**	**–**	4,267,179	–	–
Other government treasury bills and securities	**11,868,425**	**1,310,244**	**–**	11,708,818	–	–
Trading securities	**949,712**	**108,921**	**869,887**	1,024,956	127,825	613,182
Placements and balances with banks	**–**	**17,617,392**	**–**	–	12,424,142	–
Loans to customers	**–**	**3,933,353**	**–**	–	3,401,517	–
Derivative financial assets	**43,931**	**5,453,668**	**232,458**	82,897	5,603,423	94,595
Investment securities						
Debt	**6,691,940**	**1,369,232**	**1,237,148**	6,639,831	543,368	508,326
Equity	**738,876**	**–**	**2,672,269**	900,100	–	2,296,774
Other assets	**1,549,386**	**217,176**	**–**	961,563	70,403	–
	29,022,575	**32,869,069**	**5,011,762**	26,694,074	25,816,500	3,512,877
Total financial assets carried at fair value			**66,903,406**			56,023,451
Deposits and balances of banks and customers	**–**	**2,874,575**	**–**	–	2,681,921	–
Derivative financial liabilities	**66,946**	**5,466,814**	**306,239**	38,493	5,342,549	149,706
Other liabilities	**149,542**	**698,248**	**–**	103,489	636,160	–
Debts issued	**–**	**1,548,703**	**–**	–	1,539,182	–
	216,488	**10,588,340**	**306,239**	141,982	10,199,812	149,706
Total financial liabilities carried at fair value			**11,111,067**			10,491,500

18. Fair Values of Financial Instruments (continued)

(b) (continued)

	The Bank					
	2018			2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000
Cash, balances and placements with central banks	1,197,621	2,704,865	–	1,108,731	2,878,852	–
Singapore Government treasury bills and securities	5,609,110	–	–	4,267,179	–	–
Other government treasury bills and securities	5,228,170	418,043	–	6,236,365	–	–
Trading securities	868,612	108,921	817,277	908,311	127,825	466,182
Placements and balances with banks	–	15,057,847	–	–	10,499,000	–
Loans to customers	–	3,909,826	–	–	3,401,517	–
Placements with and advances to subsidiaries	–	679,514	–	487,948	926,931	–
Derivative financial assets	45,681	4,075,108	223,077	81,397	4,110,109	91,592
Investment securities						
Debt	5,675,901	1,328,289	1,234,887	5,890,688	509,765	498,941
Equity	629,478	–	2,034,192	778,572	–	2,040,898
Other assets	1,422,526	18,068	–	890,872	14,439	–
	20,677,099	28,300,481	4,309,433	20,650,063	22,468,438	3,097,613
Total financial assets carried at fair value			53,287,013			46,216,114
Deposits and balances of banks, customers and subsidiaries	–	2,797,204	–	–	2,441,773	–
Derivative financial liabilities	101,432	4,089,232	296,650	38,439	3,859,394	144,829
Other liabilities	149,576	533,790	–	103,498	597,497	–
Debts issued	–	1,548,703	–	–	1,539,182	–
	251,008	8,968,929	296,650	141,937	8,437,846	144,829
Total financial liabilities carried at fair value			9,516,587			8,724,612

18. Fair Values of Financial Instruments (continued)

(c) The following table presents the changes in Level 3 instruments for the financial year ended:

	The Group							
		Fair value gains or losses						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in/(out) $'000	Balance at 31 December $'000	Unrealised gains or losses included in income statement $'000
2018								
Assets								
Trading securities	613,182	(57,009)	–	688,532	(375,796)	978 [1]	869,887	(17,237)
Derivative financial assets	94,595	137,863	–	–	–	–	232,458	137,863
Investment securities – debt	508,326	(50,868)	794	1,153,656	(302,457)	(72,303) [2]	1,237,148	(1,246)
Investment securities – equity	2,296,774	24,047	(148,830)	504,992	(4,714)	–	2,672,269	24,047
Liabilities								
Derivative financial liabilities	149,706	156,533	–	–	–	–	306,239	156,533
2017								
Assets								
Trading securities	1,130,458	(56,782)	–	94,634	(555,128)	–	613,182	(56,782)
Derivative financial assets	157,298	(62,703)	–	–	–	–	94,595	(62,703)
Investment securities – debt	398,047	(9,332)	(3,474)	399,446	(276,361)	–	508,326	(8,250)
Investment securities – equity	2,085,858	9,803	188,910	98,836	(86,633)	–	2,296,774	–
Liabilities								
Derivative financial liabilities	152,620	(2,914)	–	–	–	–	149,706	(2,914)

(1) Trading securities were transferred to Level 3 during the year due to an increased contribution of unobservable input to their valuation.
(2) Investment securities were transferred from Level 3 during the year due to a decreased contribution of unobservable input to their valuation. Investment securities were also transferred out due to the impact from reclassification on the adoption of SFRS(I) 9.

18. Fair Values of Financial Instruments (continued)

(c) (continued)

	The Bank							
		Fair value gains or losses						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in/(out) $'000	Balance at 31 December $'000	Unrealised gains or losses included in income statement $'000
2018								
Assets								
Trading securities	466,182	(16,866)	–	635,945	(268,962)	978 [(1)]	817,277	(17,259)
Derivative financial assets	91,592	131,485	–	–	–	–	223,077	131,485
Investment securities – debt	498,941	(50,715)	780	1,153,656	(300,957)	(66,818) [(2)]	1,234,887	(1,246)
Investment securities – equity	2,040,898	(4,948)	(144,089)	147,240	(4,909)	–	2,034,192	(4,948)
Liabilities								
Derivative financial liabilities	144,829	151,821	–	–	–	–	296,650	151,821
2017								
Assets								
Trading securities	992,913	(70,660)	–	63,903	(519,974)	–	466,182	(70,660)
Derivative financial assets	142,668	(51,076)	–	–	–	–	91,592	(51,076)
Investment securities – debt	387,031	(9,282)	(3,491)	399,355	(274,672)	–	498,941	(8,250)
Investment securities – equity	1,877,240	8,511	166,955	12,115	(23,923)	–	2,040,898	–
Liabilities								
Derivative financial liabilities	139,963	4,866	–	–	–	–	144,829	4,866

(1) Trading securities were transferred to level 3 during the year due to an increased contribution of unobservable input to their valuation.
(2) Investment securities were transferred out due to the impact from reclassification on the adoption of SFRS(I) 9.

18. Fair Values of Financial Instruments (continued)

(d) Effect of changes in significant unobservable inputs.

At 31 December 2018, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted equity investments and funds, unquoted debt securities, long dated equity derivatives and callable interest rate swaps, summarised as follows:

	2018 $'000	2017 $'000	Classification	Valuation technique	Unobservable inputs
Assets					
Trading securities – equity	–	147,000	FVPL	Net Asset Value	Net Asset Value
Trading securities – debt	869,887	466,182	FVPL	Discounted Cash Flow	Credit Spreads
Derivative financial assets	232,458	94,595	FVPL	Option Pricing Model	Volatilities and Correlations
Investment securities – debt	1,237,148	508,326	FVOCI	Discounted Cash Flow	Credit Spreads
Investment securities – equity	2,672,269	2,296,774	FVOCI/FVPL	Multiples and Net Asset Value	Net Asset Value, Earnings and Financial Ratio Multiples
Liabilities					
Derivative financial liabilities	306,239	149,706	FVPL	Option Pricing Model	Volatilities and Correlations

In estimating significance, the Group performed sensitivity analyses based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques.

The effect on fair value arising from reasonably possible changes to the significant unobservable input is assessed to be insignificant.

19. Deposits and Balances of Customers

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Fixed deposits	**150,070,867**	139,256,592	133,966,257	**111,462,443**	103,293,087	100,047,401
Savings deposits	**71,601,457**	66,404,307	61,951,429	**56,975,841**	53,867,194	49,587,318
Current accounts	**58,857,769**	57,569,988	51,689,604	**49,368,454**	49,405,626	43,856,680
Others	**12,655,729**	9,534,234	7,706,583	**9,451,954**	8,646,459	6,173,609
	293,185,822	272,765,121	255,313,873	**227,258,692**	215,212,366	199,665,008

20. Other Liabilities

(a)

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Accrued interest payable	**893,087**	732,331	849,209	**627,226**	410,717	503,450
Accrued operating expenses	**1,034,420**	939,645	735,357	**623,786**	563,617	417,351
Sundry creditors	**2,567,246**	2,833,084	3,332,705	**1,135,704**	1,228,685	1,140,546
Others	**640,795**	705,214	748,388	**542,474**	602,507	528,821
ECL allowance	**281,333**	–	–	**175,501**	–	–
	5,416,881	5,210,274	5,665,659	**3,104,691**	2,805,526	2,590,168

(b) Movement of ECL allowance for other liabilities

	2018			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
The Group				
Balance at 1 January	163,220	33,837	106,533	303,590
Transfers between Stages	(6,195)	24,668	4,170	22,643
Net charge/(write-back) to income statement	38,777	(9,891)	(75,916)	(47,030)
Currency translation adjustments	1,366	(130)	894	2,130
Balance at 31 December	197,168	48,484	35,681	281,333
The Bank				
Balance at 1 January	107,616	41,715	93,054	242,385
Transfers between Stages	1,085	8,894	19,708	29,687
Net charge/(write-back) to income statement	6,447	(14,618)	(89,104)	(97,275)
Currency translation adjustments	25	(28)	707	704
Balance at 31 December	115,173	35,963	24,365	175,501

21. Deferred Tax

(a) Deferred tax comprises the following:

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Deferred tax liabilities on:						
Unrealised gain on FVOCI/available-for-sale financial assets	**78,425**	88,390	71,110	**59,269**	65,626	57,832
Accelerated tax depreciation	**163,325**	129,744	116,405	**154,514**	120,310	105,427
Unrealised gain on financial instruments FVPL	**50,111**	38,934	129,455	**–**	–	2,520
Fair value of depreciable assets acquired in business combination	**25,558**	26,476	27,008	**25,558**	26,476	27,008
Others	**4,056**	4,136	1,160	**3,581**	5,425	707
	321,475	287,680	345,138	**242,922**	217,837	193,494
Amount offset against deferred tax assets	**(42,562)**	(109,696)	(113,230)	**(36,580)**	(103,734)	(104,280)
	278,913	177,984	231,908	**206,342**	114,103	89,214
Deferred tax assets on:						
Unrealised loss on FVOCI/available-for-sale financial assets	**–**	521	38	**–**	9	–
Allowance for impairment	**139,939**	140,021	136,133	**73,392**	103,961	101,623
Tax losses	**149**	5,109	12,583	**–**	–	6,412
Unrealised loss on financial instruments FVPL	**53,739**	23,288	124,723	**–**	81	89
Others	**132,423**	134,014	90,847	**50,580**	46,982	38,531
	326,250	302,953	364,324	**123,972**	151,033	146,655
Amount offset against deferred tax liabilities	**(42,562)**	(109,696)	(113,230)	**(36,580)**	(103,734)	(104,280)
	283,688	193,257	251,094	**87,392**	47,299	42,375
Net deferred tax assets/(liabilities)	**4,775**	15,273	19,186	**(118,950)**	(66,804)	(46,839)

(b) Movements in deferred tax during the financial year are as follows:

	The Group		The Bank	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Balance at 1 January	**15,273**	19,186	**(66,804)**	(46,839)
Impact of adopting SFRS(I) 9 (Note 46)	**(9,166)**	–	**(43,005)**	–
Restated opening balance under SFRS(I) 9	**6,107**	19,186	**(109,809)**	(46,839)
Effect of change in tax rate	**1,638**	–	**1,625**	–
Currency translation adjustments	**(2,955)**	(1,420)	**(1,758)**	(1,897)
Credit/(charge) to income statement	**(10,132)**	16,473	**(18,138)**	(11,503)
(Charge)/credit to equity	**10,117**	(18,966)	**9,130**	(7,790)
Transfer from subsidiary upon merger	**–**	–	**–**	1,225
Balance at 31 December	**4,775**	15,273	**(118,950)**	(66,804)

The Group has not recognised deferred tax assets in respect of tax losses of $21 million (2017: $26 million) which can be carried forward to offset against future taxable income, subject to meeting certain statutory requirements of the relevant tax authorities. These tax losses have no expiry date except for an amount of $0.2 million (2017: $1 million) which will expire between the years 2019 and 2021 (2017: 2018 and 2020).

22. Debts Issued

(a)

	Note (b)	Issuance/ Maturity date	The Group 31 Dec 2018 $'000	The Group 31 Dec 2017 $'000	The Group 1 Jan 2017 $'000	The Bank 31 Dec 2018 $'000	The Bank 31 Dec 2017 $'000	The Bank 1 Jan 2017 $'000
Subordinated notes								
S$1.2 billion 3.15% subordinated notes callable in 2017		11 Jul 2012/ 11 Jul 2022	**–**	–	1,196,879	**–**	–	1,196,879
US$500 million 2.875% subordinated notes callable in 2017		17 Oct 2012/ 17 Oct 2022	**–**	–	720,764	**–**	–	720,764
US$800 million 3.75% subordinated notes callable in 2019	(i)	19 Mar 2014/ 19 Sep 2024	**1,082,413**	1,064,364	1,161,421	**1,082,413**	1,064,364	1,161,421
S$500 million 3.50% subordinated notes callable in 2020	(ii)	22 May 2014/ 22 May 2026	**499,666**	502,280	495,279	**499,666**	502,280	495,279
US$700 million 3.50% subordinated notes callable in 2021	(iii)	16 Mar 2016/ 16 Sep 2026	**926,064**	914,057	992,514	**926,064**	914,057	992,514
HK$700 million 3.19% subordinated notes callable in 2023	(iv)	26 Aug 2016/ 26 Aug 2028	**115,952**	113,947	120,824	**115,952**	113,947	120,824
US$600 million 2.88% subordinated notes callable in 2022	(v)	8 Sep 2016/ 8 Mar 2027	**798,958**	791,437	857,906	**798,958**	791,437	857,906
S$750 million 3.50% subordinated notes callable in 2024	(vi)	27 Feb 2017/ 27 Feb 2029	**762,796**	763,495	–	**762,796**	763,495	–
RM1 billion 4.65% subordinated notes callable in 2020	(vii)	8 May 2015/ 8 May 2025	**329,916**	330,162	323,652	**–**	–	–
RM600 million 4.80% subordinated notes callable in 2023	(viii)	25 Jul 2018/ 25 Jul 2028	**197,744**	–	–	**–**	–	–
THB6 billion 3.56% subordinated notes callable in 2022	(ix)	20 Sep 2017/ 20 Sep 2027	**251,817**	245,873	–	**–**	–	–
IDR433 billion 11.35% subordinated notes	(x)	28 May2014/ 28 May 2021	**40,569**	42,355	46,138	**–**	–	–
IDR100 billion 9.40% subordinated notes	(xi)	25 Nov 2016/ 25 Nov 2023	**9,273**	9,673	10,579	**–**	–	–
IDR500 billion 9.25% subordinated notes	(xii)	17 Oct 2017/ 17 Oct 2024	**46,995**	49,148	–	**–**	–	–
Total			**5,062,163**	4,826,791	5,925,956	**4,185,849**	4,149,580	5,545,587
Of which, fair value hedge (gain)/loss			**(42,551)**	(21,316)	(34,239)	**(43,238)**	(22,207)	(35,459)

22. Debts Issued (continued)

(a) (continued)

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Other debts issued						
Interest rate-linked notes	**1,453,989**	1,443,693	1,274,228	**1,453,989**	1,443,693	1,274,228
Equity-linked notes	**125,757**	329,328	392,874	**125,757**	329,328	392,874
Floating rate notes	**3,130,689**	1,376,269	675,137	**3,130,689**	1,376,269	675,137
Fixed rate notes	**2,454,782**	1,253,927	2,733,179	**1,630,526**	667,077	2,003,408
Commercial papers	**13,974,080**	13,673,527	14,363,726	**13,974,080**	13,673,527	14,363,726
Covered bonds	**4,401,382**	2,246,743	757,834	**4,401,382**	2,246,743	757,834
Others	**2,769**	28,123	20,015	**2,769**	3,536	1,850
Total	**25,543,448**	20,351,610	20,216,993	**24,719,192**	19,740,173	19,469,057
Of which, fair value hedge (gain)/loss	**7,170**	(10,097)	8,859	**7,170**	(10,097)	8,859
Total debts issued	**30,605,611**	25,178,401	26,142,949	**28,905,041**	23,889,753	25,014,644

(b) Subordinated Notes

(i) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 19 September 2019, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.75% per annum up to but excluding 19 September 2019. From and including 19 September 2019, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Dollar Mid Swap Rate on 19 September 2019 plus 1.995%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(ii) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 22 May 2020, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 22 May 2020. From and including 22 May 2020, the interest rate shall be reset to a fixed rate equal to the prevailing six-year Singapore Dollar SOR on 22 May 2020 plus 1.607%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(iii) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 16 September 2021, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 16 September 2021. From and including 16 September 2021, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Dollar Mid Swap Rate on 16 September 2021 plus 2.236%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(iv) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 26 August 2023, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable quarterly at a fixed rate of 3.19% per annum up to but excluding 26 August 2023. From and including 26 August 2023, the interest rate shall be reset to a fixed rate equal to the prevailing five-year Hong Kong Dollar Swap Rate plus 1.95%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

22. Debts Issued (continued)

(b) Subordinated Notes (continued)

(v) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 8 March 2022, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 2.88% per annum up to but excluding 8 March 2022. From and including 8 March 2022, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Dollar Mid Swap Rate plus 1.654%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(vi) The notes are redeemable at par at the option of the Bank, in whole but not in part, on 27 February 2024, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 27 February 2024. From and including 27 February 2024, the interest rate shall be reset to a fixed rate equal to the prevailing five-year Singapore Dollar SOR plus 1.08%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(vii) The RM1 billion 4.65% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd (UOBM). The notes are redeemable at par at the option of UOBM, in whole but not in part, on 8 May 2020 or at any interest payment date thereafter. Interest is payable semi-annually at 4.65% per annum.

(viii) The RM600 million 4.80% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd (UOBM). The notes are redeemable at par at the option of UOBM, in whole but not in part, on 25 July 2023 or at any interest payment date thereafter. Interest is payable semi-annually at 4.80% per annum.

(ix) The THB6 billion 3.56% subordinated notes were issued by United Overseas Bank (Thai) Public Company Limited (UOBT). The notes are redeemable at par at the option of UOBT, in whole but not in part, after 20 September 2022. Interest is payable semi-annually at a fixed rate of 3.56% per annum.

(x) The IDR433 billion 11.35% subordinated notes were issued by PT Bank UOB Indonesia. Interest is payable quarterly at a fixed rate of 11.35% per annum.

(xi) The IDR100 billion 9.40% subordinated notes were issued by PT Bank UOB Indonesia. Interest is payable quarterly at a fixed rate of 9.40% per annum.

(xii) The IDR500 billion 9.25% subordinated notes were issued by PT Bank UOB Indonesia. Interest is payable quarterly at a fixed rate of 9.25% per annum.

(c) Other Debts Issued

(i) The interest rate-linked notes, with embedded interest rate derivatives, were issued at par with maturities ranging from 19 July 2031 to 29 November 2047. The periodic payouts and redemptions of the notes are linked to the interest rate indices.

(ii) The equity-linked notes, with embedded equity derivatives, were issued at par with maturities ranging from 2 January 2019 to 27 March 2020. The periodic payments and payouts of the notes at maturity are linked to the closing value of certain underlying equities or equity indices.

(iii) The floating rate notes comprise mainly notes issued at par with maturities ranging from 11 March 2019 to 24 January 2022. Interest is payable quarterly at a floating rate.

22. Debts Issued (continued)

(c) Other Debts Issued (continued)

(iv) The fixed rate notes comprise mainly notes issued by the Bank with maturities ranging from 15 March 2019 to 25 July 2028. Interest is payable semi-annually and quarterly at a fixed rate as follows:

Currency notes	Interest rate
CNY	4.93% per annum
USD	2.50% to 3.2% per annum
IDR	6.15% to 9.6% per annum
THB	1.85% to 2.16% per annum

(v) The commercial papers were issued by the Bank between 11 September 2018 and 11 December 2018 and mature between 7 January 2019 and 28 May 2019. Interest rates of the papers ranged from 2.79% to 2.91% per annum (2017: 1.34% to 1.82% per annum).

(vi) As at 31 December 2018, there were six covered bonds outstanding comprising:

EUR500 million fixed rate covered bonds issued by the Bank on 9 March 2016 at 99.653 with maturity on 9 March 2021. Interest is payable annually at a fixed rate of 0.25% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 2 March 2017 at 99.498 with maturity on 2 March 2022. Interest is payable annually at a fixed rate of 0.125% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 16 January 2018 at 99.412 with maturity on 16 January 2025. Interest is payable annually at a fixed rate of 0.5% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 11 September 2018 at 99.52 with maturity on 11 September 2023. Interest is payable annually at a fixed rate of 0.25% per annum.

GBP350 million floating rate covered bonds issued by the Bank on 28 February 2018 at par value with maturity on 28 February 2023. Interest is payable quarterly at a 3-month Sterling Libor plus 0.24% per annum.

USD500 million fixed rate covered bonds issued by the Bank on 2 March 2017 at 99.734 with maturity on 2 March 2020. Interest is payable semi-annually at a fixed rate of 2.125% per annum.

(vii) Others comprise credit-linked notes issued by the Bank.

22. Debts Issued (continued)

(d) Changes in Liabilities Arising from Financing Activities

	The Group				
		Cash flows		Non-cash changes	
	Balance at 1 January $'000	Issuance $'000	Redemption $'000	Foreign exchange movement/ Others $'000	Balance at 31 December $'000
2018					
Total liabilities from financing activities					
Debt issued	**25,178,401**	**40,410,836**	**(34,904,484)**	**(79,142)**	**30,605,611**
2017					
Total liabilities from financing activities					
Debt issued	26,142,949	44,601,355	(45,066,986)	(498,917)	25,178,401

23. Cash, Balances and Placements with Central Banks

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Cash on hand	**866,872**	2,271,204	2,242,035	**583,997**	2,008,274	1,943,585
Non-restricted balances with central banks	**18,750,241**	18,704,078	16,158,785	**16,263,420**	14,174,001	10,700,771
Cash and cash equivalent	**19,617,113**	20,975,282	18,400,820	**16,847,417**	16,182,275	12,644,356
Restricted balances with central banks	**5,648,500**	5,649,687	5,921,295	**3,942,137**	3,777,932	3,928,475
ECL allowance	**(13,116)**	–	–	**(7,044)**	–	–
	25,252,497	26,624,969	24,322,115	**20,782,510**	19,960,207	16,572,831

24. Other Government Treasury Bills and Securities

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Other Government treasury bills and securities (1)	**13,200,979**	11,708,818	10,638,470	**5,668,523**	6,236,365	5,257,286
ECL allowance	**(112)**	–	–	**(112)**	–	–
	13,200,867	11,708,818	10,638,470	**5,668,411**	6,236,365	5,257,286

(1) Includes ECL allowance on other government treasury bills and securities at FVOCI of $17 million at the Group and $7 million at the Bank at 31 December 2018.

25. Trading Securities

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Quoted securities						
Debt	**1,103,653**	1,448,149	863,204	**1,022,553**	1,331,504	850,604
Equity	**253,165**	34,223	7,724	**253,165**	34,223	7,724
Unquoted securities						
Debt	**571,702**	136,591	2,118,877	**519,092**	136,591	2,118,877
Equity	**–**	147,000	137,545	**–**	–	–
	1,928,520	1,765,963	3,127,350	**1,794,810**	1,502,318	2,977,205

26. Placement and Balances with Banks

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Placement and balances with Banks (1)	**50,866,221**	52,181,025	40,032,875	**39,858,524**	42,771,530	33,730,816
ECL allowance	**(66,708)**	–	–	**(46,367)**	–	–
	50,799,513	52,181,025	40,032,875	**39,812,157**	42,771,530	33,730,816

(1) Includes ECL allowance on placement and balances with banks at FVOCI of $2 million at the Group and $1 million at the Bank at 31 December 2018.

27. Loans to Customers

(a)

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Gross loans to customers	**261,706,522**	236,027,805	225,661,673	**203,620,887**	183,121,406	175,406,818
Stage 1 and 2 ECL/ General allowance (Note 27d)	**(1,570,896)**	(1,961,033)	(2,709,455)	**(707,998)**	(1,107,149)	(1,873,436)
Stage 3 ECL/ Specific allowance (Note 27d)	**(1,508,355)**	(1,855,026)	(1,218,549)	**(1,124,007)**	(1,493,696)	(877,467)
Loans to customers	**258,627,271**	232,211,746	221,733,669	**201,788,882**	180,520,561	172,655,915
Comprising:						
Trade bills	**4,145,811**	2,943,461	2,684,036	**1,957,733**	909,271	949,079
Advances to customers	**254,481,460**	229,268,285	219,049,633	**199,831,149**	179,611,290	171,706,836
	258,627,271	232,211,746	221,733,669	**201,788,882**	180,520,561	172,655,915

27. Loans to Customers (continued)

(b) Gross Loans to Customers Analysed by Industry

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Transport, storage and communication	**10,185,518**	9,387,882	9,780,593	**8,600,268**	8,033,896	8,355,588
Building and construction	**63,139,036**	53,646,496	52,280,920	**56,753,824**	47,706,847	46,215,499
Manufacturing	**21,111,522**	18,615,039	15,746,676	**13,563,049**	12,030,693	9,530,979
Financial institutions, investment and holding companies	**23,199,404**	19,089,930	15,518,601	**19,600,068**	16,144,357	12,719,024
General commerce	**32,927,720**	30,664,223	30,268,903	**24,393,223**	22,865,183	22,955,434
Professionals and private individuals	**29,287,904**	28,181,751	26,950,561	**19,724,220**	19,402,352	18,611,861
Housing loans	**68,386,580**	65,568,573	61,450,730	**50,172,313**	48,324,891	45,489,585
Others	**13,468,838**	10,873,911	13,664,689	**10,813,922**	8,613,187	11,528,848
	261,706,522	236,027,805	225,661,673	**203,620,887**	183,121,406	175,406,818

(c) Gross Loans to Customers Analysed by Currency

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Singapore Dollar	**123,347,008**	115,750,369	112,160,101	**123,190,951**	115,562,636	111,870,338
US Dollar	**50,673,517**	44,507,292	45,079,346	**45,261,320**	39,497,557	40,329,012
Malaysian Ringgit	**25,327,965**	23,999,510	22,992,853	**–**	–	–
Thai Baht	**15,599,873**	14,006,238	12,422,864	**–**	–	100
Indonesian Rupiah	**5,287,539**	4,852,534	5,401,006	**–**	–	–
Others	**41,470,620**	32,911,862	27,605,503	**35,168,616**	28,061,213	23,207,368
	261,706,522	236,027,805	225,661,673	**203,620,887**	183,121,406	175,406,818

27. Loans to Customers (continued)

(d) Movement of ECL Allowance/Allowance for impairment on Loans

	2018			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
The Group				
Balance at 1 January	1,048,832	519,278	1,855,026	3,423,136
New loans originated or purchased	857,713	–	–	857,713
Loans derecognised or repaid	(632,604)	(103,177)	(145,827)	(881,608)
Transfers to Stage 1	52,216	(154,762)	(3,020)	(105,566)
Transfers to Stage 2	(75,637)	279,589	(24,738)	179,214
Transfers to Stage 3	(1,339)	(141,851)	367,925	224,735
Charge/(write-back) for existing loans	(161,843)	90,387	322,995	251,539
Bad debts recovery	–	–	(141,277)	(141,277)
Net charge/(write-back) to income statement	38,506	(29,814)	376,058	384,750
Unwind of discounts	–	–	10,740	10,740
Net write-off	–	–	(758,440)	(758,440)
Currency translation adjustments	(2,715)	(3,191)	24,971	19,065
Balance at 31 December	1,084,623	486,273	1,508,355	3,079,251
The Bank				
Balance at 1 January	460,203	257,355	1,493,696	2,211,254
New loans originated or purchased	585,201	–	–	585,201
Loans derecognised or repaid	(482,731)	(51,025)	(114,416)	(648,172)
Transfers to Stage 1	24,772	(85,341)	(1,794)	(62,363)
Transfers to Stage 2	(35,608)	145,249	(8,452)	101,189
Transfers to Stage 3	(516)	(83,484)	186,617	102,617
Charge/(write-back) for existing loans	(92,950)	68,022	84,675	59,747
Bad debts recovery	–	–	(47,653)	(47,653)
Net charge/(write-back) to income statement	(1,832)	(6,579)	98,977	90,566
Unwind of discounts	–	–	(7,680)	(7,680)
Net write-off	–	–	(480,355)	(480,355)
Currency translation adjustments	(964)	(185)	19,369	18,220
Balance at 31 December	457,407	250,591	1,124,007	1,832,005

27. Loans to Customers (continued)

(d) Movement of ECL Allowance/Allowance for impairment on Loans (continued)

	2017			
	The Group		The Bank	
	Specific allowance $'000	General allowance $'000	Specific allowance $'000	General allowance $'000
Balance at 1 January	1,218,549	2,709,455	877,467	1,873,436
Currency translation adjustments	(65,420)	(1,099)	(58,322)	(1,616)
Net write-off	(699,905)	–	(399,100)	–
Bad debts recovery	(104,582)	–	(29,958)	–
Allowance/(write-back) for loans	1,511,530	(747,323)	1,107,023	(776,730)
Net charge/(write-back) to income statement (Note 11)	1,406,948	(747,323)	1,077,065	(776,730)
Transfer from subsidiary upon merger	–	–	275	12,059
Interest on impaired financial assets	(5,146)	–	(3,689)	–
Balance at 31 December	1,855,026	1,961,033	1,493,696	1,107,149

28. Financial Assets Transferred

The Group transfers financial assets to third parties in the ordinary course of business. Transferred assets where the Group retains substantially all the risks and rewards of the transferred assets continue to be recognised on the Group's balance sheet.

(a) Assets Pledged or Transferred

Assets transferred under repurchase agreements (repo) are conducted under terms and conditions that are usual market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them. Assets pledged or transferred are summarised in the table below:

	The Group		The Bank	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Singapore Government and central bank treasury bills and securities	**137,835**	634,394	**137,835**	634,394
Other government treasury bills and securities	**1,020,793**	855,735	**961,358**	855,735
Placements and balances with banks – negotiable certificates of deposit	**458,317**	609,007	**458,317**	609,007
Investment securities	**927,312**	136,922	**927,312**	136,922
	2,544,257	2,236,058	**2,484,822**	2,236,058

The amount of the associated liabilities approximates the carrying amount of the assets pledged.

28. Financial Assets Transferred (continued)

(b) Collateral Received
For reverse repurchase agreements (reverse repo) where the Group receives assets as collateral is as follows:

	The Group		The Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Assets received for reverse repo transactions, at fair value	**17,458,431**	10,679,407	**13,155,784**	7,066,027
Of which, sold or repledged	**589,139**	253,370	**589,139**	253,370

(c) Repo and Reverse Repo Transactions Subject to Netting Agreements
The Bank and the Group enter into global master repurchase agreements with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Bank and the Group to settle outstanding amounts with the counterparty on a net basis in the event of default. These agreements also allow the Bank and the Group to further reduce its credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when pre-established thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

The table below shows the Bank's and the Group's repo and reverse repo transactions that are not offset in the balance sheet but are subject to enforceable netting agreements:

	2018		2017	
	Reverse repo	Repo	Reverse repo	Repo
	$'000	$'000	$'000	$'000
The Group				
Carrying amount on the balance sheet subject to netting agreements (1)	**17,175,471**	**2,999,858**	12,345,665	2,419,238
Amount nettable (2)	**(364,705)**	**(364,705)**	(390,684)	(390,684)
Financial collateral	**(16,808,367)**	**(2,625,140)**	(11,951,289)	(2,023,220)
Net amounts	**2,399**	**10,013**	3,692	5,334
The Bank				
Carrying amount on the balance sheet subject to netting agreements (1)	**12,829,860**	**2,946,366**	8,406,228	2,419,238
Amount nettable (2)	**(364,705)**	**(364,705)**	(390,684)	(390,684)
Financial collateral	**(12,462,809)**	**(2,571,648)**	(8,011,852)	(2,023,220)
Net amounts	**2,346**	**10,013**	3,692	5,334

(1) The carrying amount of reverse repo is presented under "Cash, balances and placements with central banks", "Placements and balances with banks", and "Loans to customers" while repo is under "Deposits and balances of Banks and Customers" on the balance sheet.
(2) Amount that could be netted under the netting agreements.

28. Financial Assets Transferred (continued)

(d) Covered Bonds

Pursuant to the Bank's US$8 billion Global Covered Bond Programme, selected pools of residential mortgages that were originated by the Bank have been assigned to a bankruptcy-remote structured entity, Glacier Eighty Pte Ltd. These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2018, there were six covered bonds outstanding comprising four EUR fixed rate covered bonds, one US$ fixed rate covered bond and one GBP floating rate covered bond, with assigned residential mortgages of approximately $8,574 million (2017: $5,020 million).

29. Investment Securities

(a)

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Quoted securities						
Debt [1]	**7,553,296**	6,282,646	6,750,255	**7,226,049**	6,030,317	6,465,576
Equity	**738,876**	940,326	806,416	**629,479**	806,697	694,609
Unquoted securities						
Debt [2]	**2,618,700**	1,860,457	2,097,693	**1,808,687**	1,699,174	2,040,313
Equity	**2,672,269**	2,338,467	2,138,236	**2,034,192**	2,089,871	1,926,010
ECL allowance/Allowance for impairment	**(30,038)**	(149,016)	(152,911)	**(30,038)**	(131,038)	(134,882)
	13,553,103	11,272,880	11,639,689	**11,668,369**	10,495,021	10,991,626

(1) Includes ECL allowance on quoted debt securities at FVOCI of $106 million at the Group and the Bank at 31 December 2018.
(2) Includes ECL allowance on unquoted debt securities at FVOCI of $17 million at the Group and $2 million at the Bank at 31 December 2018.

(b) Investment Securities Analysed by Industry

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Transport, storage and communication	**1,450,095**	1,112,781	1,458,574	**1,340,715**	1,078,547	1,449,116
Building and construction	**513,563**	777,804	293,386	**476,758**	731,508	242,979
Manufacturing	**2,058,378**	1,801,146	2,303,073	**2,027,703**	1,767,628	2,278,320
Financial institutions, investment and holding companies	**4,654,301**	4,103,951	4,032,807	**3,057,358**	3,556,008	3,586,759
General commerce	**1,235,781**	912,876	1,113,798	**1,152,950**	824,940	1,018,998
Others	**3,640,985**	2,564,322	2,438,051	**3,612,885**	2,536,390	2,415,454
	13,553,103	11,272,880	11,639,689	**11,668,369**	10,495,021	10,991,626

29. Investment Securities (continued)

(c) Equity Investments Designated at FVOCI
At 31 December 2018 equity investments designated at FVOCI were $2,349 million for the Group and $2,101 million for the Bank. These investments comprise ordinary shares and are mainly held for yield enhancement or strategic purposes. In 2017, such investments were classified as available-for-sale.

In 2018, the related dividend income was $22 million at the Group and $19 million at the Bank.

During the year, $41 million at the Group and $8 million at the Bank of the equity investments were disposed of. Realised gains recognised within equity were $1 million at the Group and $0.5 million at the Bank.

30. Other Assets

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Interest receivable	**1,095,853**	905,835	813,092	**772,167**	635,513	549,905
Sundry debtors	**1,614,190**	2,111,397	3,059,350	**540,455**	906,649	1,783,845
Foreclosed properties	**94,599**	91,439	94,410	**–**	–	–
Others	**1,865,889**	1,227,112	2,353,750	**1,563,740**	1,019,457	2,042,804
ECL allowance/ Specific allowance	**(23,725)**	(3,682)	(3,746)	**(6,160)**	(21)	(22)
Allowance for impairment	**(130,500)**	(142,003)	(142,625)	**(160)**	(14,273)	(15,095)
	4,516,306	4,190,098	6,174,231	**2,870,042**	2,547,325	4,361,437

31. Investment in Associates and Joint Ventures

(a)

	The Group			The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000	1 Jan 2017 $'000
Material associates:						
UOB-Kay Hian Holdings Limited	**565,525**	548,068	534,882	**66,889**	66,889	66,889
Network for Electronic Transfers (Singapore) Pte Ltd	**82,140**	73,845	65,873	**7,399**	7,399	7,399
	647,665	621,913	600,755	**74,288**	74,288	74,288
Other associates/joint ventures	**540,123**	590,705	526,213	**426,755**	400,635	395,289
	1,187,788	1,212,618	1,126,968	**501,043**	474,923	469,577
Allowance for impairment (Note 33)	**(18,180)**	(18,178)	(18,043)	**(137,938)**	(136,938)	(136,938)
	1,169,608	1,194,440	1,108,925	**363,105**	337,985	332,639
Market value of quoted investments at 31 December	**366,631**	426,170	396,400	**366,631**	426,170	396,400

31. Investment in Associates and Joint Ventures (continued)

(a) (continued)

Name of associate	Principal activities	Country of incorporation	Effective equity interest of the Group 2018 %	2017 %
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	**39**	40
Unquoted				
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	**33**	33

(b) Aggregate information about the Group's investments in associates and joint ventures that were not individually material is as follows:

	The Group 2018 $'000	2017 $'000
Profit for the financial year	**51,972**	53,966
Other comprehensive income	**(4,299)**	(4,540)
Total comprehensive income	**47,673**	49,426

(c) The summarised financial information in respect of UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd, based on its financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements is as follows:

Summarised Statements of Comprehensive Income

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Operating income	**367,398**	362,975	**269,336**	220,337
Profit for the financial year	**84,012**	68,620	**31,269**	31,890
Other comprehensive income	**5,657**	(5,206)	**(3,082)**	779
Total comprehensive income	**89,669**	63,414	**28,187**	32,669

31. Investment in Associates and Joint Ventures (continued)

(c) (continued)

Summarised Balance Sheets

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current assets	3,277,254	3,953,564	444,875	401,068
Non-current assets	426,604	58,618	89,697	84,297
Total assets	3,703,858	4,012,182	534,572	485,365
Current liabilities	2,247,691	2,624,673	272,765	252,491
Non-current liabilities	1,196	843	15,386	11,340
Total liabilities	2,248,887	2,625,516	288,151	263,831
Net assets	1,454,971	1,386,666	246,421	221,534
Proportion of the Group's ownership	39%	40%	33%	33%
Group's share of net assets	565,533	548,076	82,140	73,845
Other adjustments	(8)	(8)	–	–
Carrying amount of the investment	565,525	548,068	82,140	73,845

Dividends of $15 million (2017: $11 million) and $1 million (2017: $3 million) were received from UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd respectively.

32. Investment in Subsidiaries

(a)

	The Bank		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Quoted investments	45,024	45,024	45,024
Unquoted investments	6,189,549	5,830,087	6,104,378
	6,234,573	5,875,111	6,149,402
Allowance for impairment (Note 33)	(220,360)	(131,381)	(363,696)
	6,014,213	5,743,730	5,785,706
Market value of quoted investments at 31 December	237,455	260,308	167,111

32. Investment in Subsidiaries (continued)

(b) Major subsidiaries of the Group as at the balance sheet date are as follows:

Name of subsidiary	Country of incorporation	Effective equity interest of the Group 2018 %	2017 %
Commercial Banking			
United Overseas Bank (Malaysia) Bhd	Malaysia	**100**	100
United Overseas Bank (Thai) Public Company Limited	Thailand	**99.7**	99.7
PT Bank UOB Indonesia	Indonesia	**99**	99
United Overseas Bank (China) Limited	China	**100**	100
United Overseas Bank (Vietnam) Limited	Vietnam	**100**	–
Financial Services			
United Overseas Insurance Limited	Singapore	**58**	58
UOB Bullion and Futures Limited	Singapore	**100**	100
Funding Vehicle			
UOB Australia Limited	Australia	**100**	100
Asset Management/Investment Management			
UOB Asset Management Ltd	Singapore	**100**	100
UOB Asset Management (Malaysia) Berhad	Malaysia	**70**	70
UOB Asset Management (Thailand) Co., Ltd.	Thailand	**100**	100
UOB Alternative Investment Management Pte Ltd	Singapore	**100**	100
UOB Capital Management Pte Ltd	Singapore	**100**	100
UOB Global Capital LLC (1)	United States	**70**	70
UOB Holdings (USA) Inc. (2)	United States	**100**	100
UOB Venture Management (Shanghai) Co., Ltd (1)	China	**100**	100
UOB Venture Management Private Limited	Singapore	**100**	100
Property Investment Holding			
Industrial & Commercial Property (S) Pte Ltd	Singapore	**100**	100
PT UOB Property	Indonesia	**100**	100
UOB Property Investments China Pte Ltd	Singapore	**100**	100
UOB Property Investments Pte. Ltd.	Singapore	**100**	100
UOB Realty (USA) Ltd Partnership (2)	United States	**100**	100
Others			
UOB International Investment Private Limited	Singapore	**100**	100
UOB Travel Planners Pte Ltd	Singapore	**100**	100

Notes:
Except as indicated, all subsidiaries incorporated in Singapore are audited by Ernst & Young LLP, Singapore and those incorporated overseas are audited by member firms of Ernst & Young Global Limited.
(1) Audited by other auditors.
(2) Not required to be audited.

32. Investment in Subsidiaries (continued)

(c) Interest in Subsidiaries with Material Non-Controlling Interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
2018					
United Overseas Insurance Limited	Singapore	**42**	**9,973**	**157,504**	**6,998**
2017					
United Overseas Insurance Limited	Singapore	42	13,708	157,116	4,326

(d) Summarised Financial Information [1] about United Overseas Insurance Limited

Summarised Statements of Comprehensive Income

	2018 $'000	2017 $'000
Operating income	**42,072**	54,166
Profit before tax	**25,924**	38,544
Tax	**1,957**	5,600
Profit for the financial year	**23,967**	32,944
Other comprehensive income	**(5,578)**	20,253
Total comprehensive income	**18,389**	53,197

Summarised Balance Sheets

	2018 $'000	2017 $'000
Total assets	**609,978**	646,756
Total liabilities	**231,468**	269,177
Net assets	**378,510**	377,579

Other Summarised Information

	2018 $'000	2017 $'000
Net cash flows from operations	**7,556**	21,939
Acquisition of property, plant and equipment	**50**	117

(1) Including goodwill on acquisition and consolidation adjustments but before intercompany eliminations.

32. Investment in Subsidiaries (continued)

(e) Consolidated Structured Entities
The Group has established a US$8 billion Global Covered Bond Programme to augment its funding programmes. Under the Programme, the Bank may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor (the CBG), Glacier Eighty Pte Ltd. The Covered Bonds issued under the Programme will be backed by a portfolio of Singapore residential mortgages transferred by the Bank to the CBG when certain conditions are met.

(f) Interests in Unconsolidated Structured Entities
The Group had interests in certain investment funds where the Group was the fund manager and the investors had no or limited removal rights over the fund manager. These funds were primarily financed by the investors. The table below summarises the Group's involvement in the funds.

	The Group	
	2018	2017
	$ million	$ million
Total assets of structured entities [1]	**20,291**	18,009
Maximum exposure to loss – Investment in funds	**349**	323
Fee income	**171**	142
Net gain from investment securities	**65**	70

(1) Based on the latest available financial reports of the structured entities.

33. Movement of Allowance for Impairment on Investment in Associates, Joint Ventures and Subsidiaries

	Investment in associates and joint ventures $'000
The Group	
2018	
Balance at 1 January	**18,178**
Currency translation adjustments	**2**
Balance at 31 December	**18,180**
2017	
Balance at 1 January	18,043
Currency translation adjustments	135
Balance at 31 December	18,178

33. Movement of Allowance for Impairment on Investment in Associates, Joint Ventures and Subsidiaries (continued)

	Investment in associates and joint ventures $'000	Investment in subsidiaries $'000
The Bank		
2018		
Balance at 1 January	**136,938**	**131,381**
Currency translation adjustments	**–**	**3**
Net charge to income statement	**1,000**	**88,976**
Balance at 31 December	**137,938**	**220,360**
2017		
Balance at 1 January	136,938	363,696
Currency translation adjustments	–	75,371
Write-off/disposal	–	(267,620)
Net charge/(write-back) to income statement	–	(40,066)
Transfer from subsidiary upon merger	153	–
Reclassification	(153)	–
Balance at 31 December	136,938	131,381

34. Investment Properties

	The Group		The Bank	
	31 Dec 2018 $'000	31 Dec 2017 $'000	**31 Dec 2018 $'000**	31 Dec 2017 $'000
Balance at 1 January	**1,088,309**	1,104,910	**1,118,762**	1,161,937
Currency translation adjustments	**(4,688)**	(5,421)	**(929)**	(358)
Additions	**31,575**	27,010	**15,246**	24
Transfer from subsidiary upon merger	**–**	–	**–**	4,648
Disposals	**(4,568)**	(1,294)	**(4,568)**	(1,294)
Depreciation charge	**(21,585)**	(23,104)	**(15,837)**	(16,065)
Transfers	**(76,711)**	(13,792)	**(33,939)**	(30,130)
Balance at 31 December	**1,012,332**	1,088,309	**1,078,735**	1,118,762
Represented by:				
Cost	**1,336,509**	1,406,615	**1,338,523**	1,373,236
Accumulated depreciation	**(324,177)**	(318,306)	**(259,788)**	(254,474)
Net carrying amount	**1,012,332**	1,088,309	**1,078,735**	1,118,762
Freehold property	**320,493**	400,238	**689,005**	720,187
Leasehold property	**691,839**	688,071	**389,730**	398,575
Balance at 31 December	**1,012,332**	1,088,309	**1,078,735**	1,118,762
Fair Value hierarchy				
Level 2	**251,538**	330,967	**254,657**	290,535
Level 3	**3,018,655**	3,094,032	**2,456,102**	2,393,361
Market Value	**3,270,193**	3,424,999	**2,710,759**	2,683,896

34. Investment Properties (continued)

The valuations of investment properties were performed by external and internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches.

Market values for properties under Level 2 of the fair value hierarchy are determined based on market comparison approach using comparable price transactions as significant observable inputs. Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

35. Fixed Assets

	2018			2017		
	Owner-occupied properties $'000	Others $'000	Total $'000	Owner-occupied properties $'000	Others $'000	Total $'000
The Group						
Balance at 1 January	914,447	1,056,398	1,970,845	931,528	953,355	1,884,883
Currency translation adjustments	(6,498)	(792)	(7,290)	(6,400)	(5,334)	(11,734)
Additions	12,600	472,291	484,891	11,722	310,661	322,383
Disposals	(51)	(7,832)	(7,883)	–	(1,735)	(1,735)
Depreciation charge	(22,970)	(228,297)	(251,267)	(34,618)	(200,549)	(235,167)
Allowance for impairment	(383)	–	(383)	(1,577)	–	(1,577)
Transfers	76,711	–	76,711	13,792	–	13,792
Balance at 31 December	973,856	1,291,768	2,265,624	914,447	1,056,398	1,970,845
Represented by:						
Cost	1,313,317	2,825,446	4,138,763	1,219,174	2,428,709	3,647,883
Accumulated depreciation	(337,238)	(1,533,678)	(1,870,916)	(302,890)	(1,372,311)	(1,675,201)
Allowance for impairment	(2,223)	–	(2,223)	(1,837)	–	(1,837)
Net carrying amount	973,856	1,291,768	2,265,624	914,447	1,056,398	1,970,845
Freehold property	505,481			450,594		
Leasehold property	468,375			463,853		
	973,856			914,447		
Fair Value hierarchy						
Level 2	537,335			494,007		
Level 3	2,980,640			2,763,241		
Market Value	3,517,975			3,257,248		

35. Fixed Assets (continued)

	2018			2017		
	Owner-occupied properties $'000	Others $'000	Total $'000	Owner-occupied properties $'000	Others $'000	Total $'000
The Bank						
Balance at 1 January	695,967	721,355	1,417,322	675,921	634,286	1,310,207
Currency translation adjustments	(176)	(3,765)	(3,941)	(6)	(1,069)	(1,075)
Additions	42,563	373,208	415,771	4	221,182	221,186
Transfer from subsidiary upon merger	–	–	–	101	572	673
Disposals	(31)	(4,860)	(4,891)	–	(461)	(461)
Depreciation charge	(11,795)	(154,033)	(165,828)	(10,183)	(133,155)	(143,338)
Transfers	33,939	–	33,939	30,130	–	30,130
Balance at 31 December	760,467	931,905	1,692,372	695,967	721,355	1,417,322
Represented by:						
Cost	947,430	1,897,833	2,845,263	863,936	1,577,794	2,441,730
Accumulated depreciation	(186,963)	(965,928)	(1,152,891)	(167,969)	(856,439)	(1,024,408)
Net carrying amount	760,467	931,905	1,692,372	695,967	721,355	1,417,322
Freehold property	620,566			597,375		
Leasehold property	139,901			98,592		
	760,467			695,967		
Fair Value hierarchy						
Level 2	239,191			196,550		
Level 3	1,944,320			1,853,554		
Market Value	2,183,511			2,050,104		

The valuations of owner-occupied properties were performed by external and internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches.

Market values for properties under Level 2 of the fair value hierarchy are determined based on market comparison approach using comparable price transactions as significant observable inputs. Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

Fixed assets - others comprise mainly computer equipment, software and furniture and fittings.

36. Intangible Assets

(a)

	Goodwill			
	The Group		The Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at 1 January	**4,141,919**	4,151,045	**3,181,819**	3,181,819
Currency translation adjustments	**(3,527)**	(9,126)	**–**	–
Balance at 31 December	**4,138,392**	4,141,919	**3,181,819**	3,181,819
Represented by:				
Cost	**4,138,392**	4,141,919	**3,181,819**	3,181,819
Accumulated impairment	**–**	–	**–**	–
Net carrying amount	**4,138,392**	4,141,919	**3,181,819**	3,181,819

(b) Goodwill is allocated on the date of acquisition to the reportable operating segments expected to benefit from the synergies of business combination. The recoverable amount of the operating segments is based on their value in use, computed by discounting the expected future cash flows of the segments. The key assumptions in computing the value in use include the discount rates and growth rates applied. Discount rates are estimated based on current market assessments of time value of money and risks specific to the Group as a whole and to individual countries such as Thailand and Indonesia. The growth rates used do not exceed the historical long-term average growth rate of the major countries. Cash flow projections are based on the most recent five-year financial forecasts provided by key business segments and approved by management. These cash flows are derived based on the outlook of macroeconomic conditions from external sources, in particular, interest rates and foreign exchange rates, taking into account management's past experience on the impact of such changes to the cash flows of the Group. Long-term growth rate is imputed on fifth-year cash flow and then discounted to determine the terminal value. Key assumptions are as follows:

	Discount rate		Growth rate	
	2018	2017	2018	2017
Singapore	**7.43**	7.33	**2.96**	2.50
Thailand	**9.76**	8.65	**3.32**	2.95
Indonesia	**9.38**	9.46	**5.39**	5.46

Impairment is recognised in the income statement when the carrying amount of an operating segment exceeds its recoverable amount. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating segments to exceed their recoverable amount.

37. Contingent Liabilities

In the normal course of business, the Bank and the Group conduct businesses involving guarantees, performance bonds and indemnities. The bulk of these liabilities are backed by the corresponding obligations of the customers. No assets of the Bank and the Group were pledged as security for these contingent liabilities at the balance sheet date.

	The Group		The Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Direct credit substitutes	**4,454,846**	6,555,412	**3,131,955**	2,979,908
Transaction-related contingencies	**15,597,637**	10,068,034	**7,247,084**	6,547,397
Trade-related contingencies	**10,949,566**	9,774,822	**8,997,100**	7,971,348
Others	**1,282**	17,175	**1,282**	1,082
	31,003,331	26,415,443	**19,377,421**	17,499,735

38. Financial Derivatives

Financial derivatives, such as forwards, swaps, futures and options, are instruments whose values change in response to the change in prices of the underlying instruments.

In the normal course of business, the Bank and the Group transact in customised derivatives to meet specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes, as well as to manage their assets, liabilities and structural positions. Risks associated with the use of derivatives and policies for managing these risks are set out in Note 44.

(a) The table below shows the Bank's and the Group's financial derivatives and their fair values at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

	31 Dec 2018			31 Dec 2017		
	Notional amount $'000	Positive fair value $'000	Negative fair value $'000	Notional amount $'000	Positive fair value $'000	Negative fair value $'000
The Group						
Foreign exchange contracts						
Forwards	52,807,960	399,713	592,106	57,089,144	1,692,362	1,585,292
Swaps	284,319,946	2,412,842	1,963,547	295,707,799	1,311,145	1,377,091
Options purchased	8,523,252	141,650	–	7,453,209	108,866	–
Options written	9,395,487	–	133,909	12,731,137	–	69,346
Interest rate contracts						
Forwards	1,362,750	388	275	–	–	–
Swaps	529,719,885	2,535,446	2,753,963	559,022,084	2,383,806	2,234,337
Futures	12,744,712	3,462	6,828	7,184,895	3,966	285
Options purchased	1,292,163	2,117	–	979,639	2,465	–
Options written	1,161,632	–	1,699	1,026,906	–	1,023
Equity-related contracts						
Swaps	997,881	10,503	86,119	659,941	5,451	7,029
Futures	361	7	18	–	–	–
Options purchased	5,095,891	67,948	–	4,998,588	67,363	–
Options written	6,276,840	–	63,791	5,983,383	–	72,079
Credit-related contracts						
Swaps	1,489,848	42,650	6,313	2,013,033	32,550	9,127
Others						
Forwards	627,909	12,146	9,780	101,811	249	40
Swaps	4,262,351	60,161	161,858	5,111,805	91,781	136,650
Futures	1,973,334	38,922	59,590	1,604,518	78,780	38,190
Options purchased	85,331	2,102	–	95,476	2,131	–
Options written	32,151	–	203	117,020	–	259
	922,169,684	5,730,057	5,839,999	961,880,388	5,780,915	5,530,748

38. Financial Derivatives (continued)

(a) (continued)

	31 Dec 2018			31 Dec 2017		
	Notional amount $'000	Positive fair value $'000	Negative fair value $'000	Notional amount $'000	Positive fair value $'000	Negative fair value $'000
The Bank						
Foreign exchange contracts						
Forwards	47,426,901	309,052	503,839	45,886,801	476,966	357,813
Swaps	181,215,179	1,383,546	958,433	177,004,517	1,209,692	1,247,648
Options purchased	5,808,055	103,889	–	4,789,311	100,535	–
Options written	6,230,666	–	101,452	4,738,057	–	92,019
Interest rate contracts						
Forwards	1,362,750	388	275	–	–	–
Swaps	479,296,929	2,344,275	2,572,082	526,959,865	2,219,569	2,097,392
Futures	11,475,950	3,462	5,852	6,873,526	3,912	285
Options purchased	1,292,163	2,117	–	979,639	2,465	–
Options written	1,127,427	–	1,699	1,026,906	–	1,023
Equity-related contracts						
Swaps	915,100	1,080	76,606	635,849	4,707	5,548
Futures	361	7	18	–	–	–
Options purchased	5,090,893	67,990	–	4,986,543	67,391	–
Options written	6,318,052	–	62,152	6,007,061	–	71,014
Credit-related contracts						
Swaps	1,489,848	42,650	6,313	2,013,033	32,550	9,127
Others						
Forwards	256,805	1,144	1,136	26,648	42	53
Swaps	3,863,756	47,333	142,022	4,541,727	86,029	120,701
Futures	1,533,296	34,831	53,668	1,402,426	77,335	38,135
Options purchased	85,331	2,102	–	56,095	1,905	–
Options written	32,508	–	1,767	73,912	–	1,904
	754,821,970	4,343,866	4,487,314	788,001,916	4,283,098	4,042,662

38. Financial Derivatives (continued)

(a) (continued)

	1 Jan 2017					
	The Group			The Bank		
	Notional amount $'000	Positive fair value $'000	Negative fair value $'000	Notional amount $'000	Positive fair value $'000	Negative fair value $'000
Foreign exchange contracts						
Forwards	48,811,188	984,186	1,038,627	44,415,096	544,775	631,013
Swaps	186,619,939	2,387,083	1,971,593	145,370,380	2,297,201	1,850,786
Options purchased	10,534,271	182,131	–	7,643,433	163,881	–
Options written	13,122,827	–	224,038	8,905,657	–	147,561
Interest rate contracts						
Swaps	533,198,638	2,977,150	3,225,694	498,163,783	2,755,677	2,980,221
Futures	1,267,163	1,154	2,903	985,109	1,074	2,898
Options purchased	695,377	4,987	–	695,377	4,987	–
Options written	752,119	–	4,923	752,119	–	4,923
Equity-related contracts						
Swaps	512,863	17,875	16,747	445,659	4,001	3,719
Options purchased	5,130,036	139,445	–	5,103,435	138,690	–
Options written	5,932,079	–	135,892	5,904,768	–	136,263
Credit-related contracts						
Swaps	1,187,594	31,416	13,881	1,187,594	31,416	13,881
Others						
Forwards	889,816	7,634	7,262	581,694	6,906	6,816
Swaps	3,612,048	172,938	109,615	3,389,082	161,244	97,376
Futures	2,262,598	74,777	85,748	2,024,052	74,499	85,417
Options purchased	85,735	770	–	46,647	228	–
Options written	35,500	–	185	3,257	–	185
	814,649,791	6,981,546	6,837,108	725,617,142	6,184,579	5,961,059

38. Financial Derivatives (continued)

(b) Financial Derivatives Subject to Netting Agreements

The Bank and the Group enter into derivative master netting agreements (such as the International Swaps and Derivatives Association Master Agreement) with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Bank and the Group to settle outstanding derivative contracts' amounts with the counterparty on a net basis in the event of default. These agreements also allow the Bank and the Group to further reduce its credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when pre-established thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

The table below shows the Bank's and the Group's financial derivatives that are not offset in the balance sheet but are subject to enforceable netting agreements.

	31 Dec 2018		31 Dec 2017	
	Positive fair value $'000	Negative fair value $'000	Positive fair value $'000	Negative fair value $'000
The Group				
Carrying amount on the balance sheet	5,730,057	5,839,999	5,780,915	5,530,748
Amount not subject to netting agreements	(689,217)	(527,706)	(1,169,520)	(623,810)
Amount subject to netting agreements	5,040,840	5,312,293	4,611,395	4,906,938
Amount nettable [1]	(4,025,518)	(4,025,518)	(3,991,294)	(3,991,294)
Financial collateral	(258,403)	(759,935)	(303,384)	(436,825)
Net amounts	756,919	526,840	316,717	478,819
The Bank				
Carrying amount on the balance sheet	4,343,866	4,487,314	4,283,098	4,042,662
Amount not subject to netting agreements	(671,026)	(503,873)	(1,145,318)	(575,768)
Amount subject to netting agreements	3,672,840	3,983,441	3,137,780	3,466,894
Amount nettable [1]	(2,873,801)	(2,873,801)	(2,808,404)	(2,808,404)
Financial collateral	(202,889)	(646,239)	(202,104)	(279,790)
Net amounts	596,150	463,401	127,272	378,700

	1 Jan 2017			
	The Group		The Bank	
	Positive fair value $'000	Negative fair value $'000	Positive fair value $'000	Negative fair value $'000
Carrying amount on the balance sheet	6,981,546	6,837,108	6,184,579	5,961,059
Amount not subject to netting agreements	(404,179)	(406,328)	(262,437)	(278,085)
Amount subject to netting agreements	6,577,367	6,430,780	5,922,142	5,682,974
Amount nettable [1]	(4,286,387)	(4,286,387)	(4,169,592)	(4,169,592)
Financial collateral	(393,919)	(968,620)	(358,285)	(660,376)
Net amounts	1,897,061	1,175,773	1,394,265	853,006

(1) Amount that could be netted under the netting agreements.

39. Commitments

(a)

	The Group		The Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Undrawn credit facilities	146,008,467	130,346,862	119,286,137	108,400,882
Spot/forward contracts	1,034,463	2,070,200	1,053,388	2,182,292
Capital commitments	442,452	264,419	152,962	126,929
Operating lease commitments	224,620	214,612	163,612	150,296
Others	3,783,994	3,767,667	3,158,997	3,306,134
	151,493,996	136,663,760	123,815,096	114,166,533

(b) Operating Lease Commitments
The Group leases out investment properties typically on three-year leases based on market rental rates. These leases contain options to renew at prevailing market rates.

The aggregate minimum lease payments under non-cancellable operating leases at the balance sheet date are as follows:

	The Group		The Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Minimum lease payable				
Within 1 year	99,004	94,442	71,526	61,509
Over 1 to 5 years	121,853	116,501	89,136	86,141
Over 5 years	3,763	3,669	2,950	2,646
	224,620	214,612	163,612	150,296
Minimum lease receivable				
Within 1 year	87,408	95,065	74,301	80,481
Over 1 to 5 years	122,194	151,938	97,553	126,585
Over 5 years	2,753	2,292	2,162	364
	212,355	249,295	174,016	207,430

40. Hedge Accounting

(a) The impact of the hedging instrument and hedged item on the statement of financial position as at 31 December 2018 is as follows:

	Notional amount $ million	Carrying amount of assets/ (liabilities) $ million	Line item in the financial statement	Changes in fair value Hedging instrument $ million	Changes in fair value Hedged item $ million
The Group					
Fair value hedge					
Interest rate risk – Interest rate swaps to hedge certain loans, deposits, debt investments and debts issued	13,528	54	Derivative financial instrument	(33)	33
Foreign exchange risk – Customer deposits to hedge certain equity securities at FVOCI	–	(67)	Customer deposits	1	(1)
Net investment hedge					
Foreign exchange risk – Customer deposits to hedge net investments in foreign operations	–	(3,294)	Customer deposits	4	(4)
The Bank					
Fair value hedge					
Interest rate risk – Interest rate swaps to hedge certain loans, deposits, debt investments and debts issued	13,165	54	Derivative financial instrument	(33)	33
Foreign exchange risk – Customer deposits to hedge certain equity securities at FVOCI	–	(67)	Customer deposits	1	(1)
Net investment hedge					
Foreign exchange risk – Customer deposits to hedge net investments in foreign operations	–	(2,616)	Customer deposits	17	(17)

The ineffectiveness arising from these hedges was insignificant.

40. Hedge Accounting (continued)

(b) The impact of the hedging instrument and hedged item on the statement of financial position as at 31 December 2017 is as follows:

Fair value hedges

Interest rate swaps were contracted to hedge certain of the Group's loans, debt investments and debts issued against interest rate risk. As at 31 December 2017, the cumulative net fair value of the swaps was a loss of $18 million at the Bank and a loss of $18 million at the Group. During the financial year 2017, fair value losses of $24 million and fair value losses of $23 million on the swaps were recognised in the Bank's and the Group's income statements respectively.

As at 31 December 2017, customer deposits of $381 million were designated to hedge the foreign exchange risk arising from certain of the Bank's available-for-sale equity securities. During the financial year 2017, foreign exchange gains of $29 million on the deposits were recognised in the Bank's and the Group's income statements respectively. These were offset by equal amounts of foreign exchange loss on the hedged items.

The ineffectiveness arising from these hedges was insignificant.

Hedges of net investment in foreign operations

As at 31 December 2017, customer deposits of $2,399 million were designated to hedge foreign exchange risk arising from the Group's foreign operations. During the financial year 2017, no foreign exchange gain or loss arising from hedge ineffectiveness was recognised in the Group's income statements.

41. Share-Based Compensation Plans

Share-based compensation plans of the Group comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan.

Share Appreciation Rights (SAR) are rights, which upon exercise, confer the right to receive such number of UOB shares (or by exception, cash) equivalent to the difference between the prevailing market value and the grant value of the underlying UOB shares comprised in the SAR, divided by the prevailing market value of a UOB share. The grant value is determined with reference to the average of the closing prices of UOB shares over the three days preceding the grant date. Upon vesting of SAR, participants have up to six years from the date of grant to exercise their rights.

Restricted Shares (RS) represent UOB shares that are restricted by time and performance conditions as to when they vest. Upon vesting, participants will receive UOB shares represented by the RS.

For RS grants made in the years 2015 to 2016, 30 per cent of the award granted will vest after two years, subject to the achievement of the two-year Average Return on Equity (ROE) targets. The remaining 70 per cent will vest after three years, subject to the achievement of three-year Average ROE targets. The vesting levels are shown below:

Percentage of ROE target achieved	Percentage* of award to be vested for grants made in 2015 to 2016
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the RHCC

* For intermediate ROE level achieved, the percentage of award to be vested will be interpolated.

41. Share-Based Compensation Plans (continued)

In 2017, the Bank reviewed and revised the performance conditions of the RS Plan. For grants made from and after 2017, the vesting of the first and second tranches of RS will be determined by the performance of the Group's two-year and three-year Average ROE against the corresponding two-year and three-year Average Cost of Equity (COE) hurdle respectively.

For each vesting tranche of the award, 100 per cent of the tranche will vest if the Average ROE is equal to or above the corresponding Average COE. If the Average ROE is below the corresponding Average COE, the percentage of each tranche of award to be vested will be determined at the sole discretion of the Remuneration and Human Capital Committee (RHCC).

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the RHCC.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the RS Plan shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plan only allows the delivery of UOB ordinary shares held in treasury by the Bank.

Movements and outstanding balances of these plans are as follows:

UOB Restricted Share Plan and UOB Share Appreciation Rights Plan

	The Group Restricted shares	
	2018 '000	2017 '000
Balance at 1 January	**6,135**	5,808
Granted	**2,091**	2,327
Forfeited/cancelled	**(475)**	(491)
Vested	**(1,696)**	(1,509)
Balance at 31 December	**6,055**	6,135

	SAR Exercisable rights			
	2018		2017	
	Number of rights '000	**Weighted average exercise price ($)**	Number of rights '000	Weighted average exercise price ($)
Balance at 1 January	**1,836**	**20.15**	6,516	19.36
Forfeited/lapsed	**–**	**–**	(24)	18.13
Exercised	**(1,031)**	**19.93**	(4,656)	19.06
Balance at 31 December	**805**	**20.43**	1,836	20.15

At 31 December 2018, the remaining contractual life of outstanding exercisable SAR was 0.95 year (2017: 1.7 years) and the exercise price was determined at $20.43. The total intrinsic value of the outstanding exercisable SAR was $3.3 million (2017: $11.6 million).

41. Share-Based Compensation Plans (continued)

Year granted	Expiry date	Fair value per grant at grant date $	Number of outstanding grants 2018 '000	2017 '000
Restricted shares				
2015	4 May 2017 and 4 May 2018	22.57 and 18.83	–	1,243
2016	3 May 2018 and 3 May 2019	17.06 and 17.24	**1,799**	2,626
2017	11 May 2019 and 11 May 2020	21.50 and 23.00	**2,205**	2,266
2018	24 Apr 2020 and 24 Apr 2021	27.03 and 22.95	**2,051**	–
			6,055	6,135

Fair values of the RS were estimated at the grant date using the Trinomial valuation methodology. Since 2014, no SAR has been granted as an instrument for share-based compensation. The key assumptions of the RS are as follows:

	Restricted shares			
	2018		2017	
Year granted	**1st grant**	**2nd grant**	1st grant	2nd grant
Exercise price ($)	Not applicable		Not applicable	
Expected volatility (%) (1)	**16.40**	**16.82**	16.92	16.61
Risk-free interest rate (%)	**1.88 – 2.02**	**2.05 – 2.14**	1.22 – 1.33	1.65 – 1.75
Contractual life (years)	**2 and 3**	**2 and 3**	2 and 3	2 and 3
Expected dividend yield (%)	Management's forecast in line with dividend objective			

(1) Based on the past three years' historical volatility.

42. Related Party Transactions

Related parties cover the Group's subsidiaries, associates, joint ventures and their subsidiaries, and key management personnel and their related parties.

Key management personnel refers to the Bank's directors and members of its Management Executive Committee.

All related party transactions of the Group were done in the ordinary course of business and at arm's length. In addition to the information disclosed elsewhere in the financial statements, other related party transactions that may be of interest are as follows:

(a)

	The Group		The Bank	
	2018 $ million	2017 $ million	2018 $ million	2017 $ million
Interest income				
Subsidiaries	–	–	316	199
Associates and joint ventures	15	8	15	8
Interest expense				
Subsidiaries	–	–	189	133
Associates and joint ventures	12	6	9	5
Dividend income				
Subsidiaries	–	–	212	137
Associates and joint ventures	–	–	18	16
Rental income				
Subsidiaries	–	–	4	4
Rental and other expenses				
Subsidiaries	–	–	111	108
Associates and joint ventures	17	14	13	12
Fee and commission and other income				
Subsidiaries	–	–	145	149
Associates and joint ventures	7	6	3	4
Placements, securities, loans and advances				
Subsidiaries	–	–	16,363	12,877
Associates and joint ventures	782	524	781	524
Deposits				
Subsidiaries	–	–	13,562	6,505
Associates and joint ventures	1,376	1,273	1,244	1,187
Off-balance sheet credit facilities [1]				
Subsidiaries	–	–	251	286
Associates and joint ventures	2	11	1	11

(1) Includes guarantees issued by the Group of $1 million (2017: $11 million) and the Bank of $221 million (2017: $241 million).

42. Related Party Transactions (continued)

(b)

	The Group		The Bank	
	2018	2017	**2018**	2017
	$ million	$ million	**$ million**	$ million
Compensation of key management personnel				
Short-term employee benefits	**20**	16	**20**	16
Long-term employee benefits	**2**	3	**2**	3
Share-based payment	**8**	7	**8**	7
Others	*****	*	*****	*
	30	26	**30**	26

* Less than $500,000.

43. Segment Information

(a) Operating Segments

Segmental reporting is prepared based on the Group's internal organisational structure. The Banking Group is organised into three major business segments – Group Retail, Group Wholesale Banking and Global Markets. Others segment includes non-banking activities and corporate functions.

Group Retail (GR)

GR segment covers personal and small enterprise customers.

Customers have access to a diverse range of products and services, including deposits, insurance, card, wealth management, investment, loan and trade financing products which are available across the Group's global branch network.

Group Wholesale Banking (GWB)

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

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

Global Markets (GM)

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

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

Others

Others segment includes corporate support functions and decisions not attributable to business segments mentioned above and other activities, which comprises property, insurance and investment management.

43. Segment Information (continued)

(a) Operating Segments (continued)

Selected Income Statement Items

	The Group				
	GR $ million	GWB $ million	GM $ million	Others $ million	Total $ million
2018					
Net interest income	2,721	2,829	125	545	6,220
Non-interest income	1,230	1,108	340	218	2,896
Operating income	3,951	3,937	465	763	9,116
Operating expenses	(1,928)	(954)	(245)	(876)	(4,003)
Allowance for credit and other losses	(192)	(178)	(2)	(21)	(393)
Share of profit of associates and joint ventures	–	14	–	92	106
Profit before tax	1,831	2,819	218	(42)	4,826
Tax					(805)
Profit for the financial year					4,021
Other information					
Capital expenditure	68	38	22	388	516
Depreciation of assets	24	11	7	231	273
2017					
Net interest income	2,550	2,472	237	269	5,528
Non-interest income	1,231	1,060	203	541	3,035
Operating income	3,781	3,532	440	810	8,563
Operating expenses	(1,800)	(819)	(253)	(867)	(3,739)
Allowance for credit and other losses	(218)	(1,280)	1	770	(727)
Share of profit of associates and joint ventures	–	4	–	106	110
Profit before tax	1,763	1,437	188	819	4,207
Tax					(800)
Profit for the financial year					3,407
Other information					
Capital expenditure	43	25	9	272	349
Depreciation of assets	22	11	7	218	258

43. Segment Information (continued)

(a) Operating Segments (continued)

Selected Balance Sheet Items

	The Group				
	GR $ million	GWB $ million	GM $ million	Others $ million	Total $ million
2018					
Segment assets	108,115	184,530	55,657	34,482	382,784
Intangible assets – goodwill	1,315	2,084	659	80	4,138
Investment in associates and joint ventures	–	167	–	1,003	1,170
Total assets	109,430	186,781	56,316	35,565	388,092
Segment liabilities	142,067	157,401	37,360	13,452	350,280
Other information					
Gross customer loans	108,022	153,168	498	19	261,707
Non-performing assets	1,248	2,896	7	15	4,166
2017					
Segment assets	103,806	161,230	59,035	29,185	353,256
Intangible assets – goodwill	1,316	2,086	659	81	4,142
Investment in associates and joint ventures	–	122	–	1,072	1,194
Total assets	105,122	163,438	59,694	30,338	358,592
Segment liabilities	134,532	142,511	33,201	11,312	321,556
Other information					
Gross customer loans	103,596	132,200	202	30	236,028
Non-performing assets	1,157	3,216	16	–	4,389

Notes:
1. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
2. Segment comparative information for prior year has been adjusted for changes in organisation structure and management reporting methodology.

43. Segment Information (continued)

(b) Geographical Segments

The following geographical segment information is based on the location where the transactions and assets are booked, which approximates that based on the location of the customers and assets. The information is stated after elimination of inter-segment transactions.

	The Group						
	Singapore $ million	Malaysia $ million	Thailand $ million	Indonesia $ million	Greater China $ million	Others $ million	Total $ million
2018							
Net interest income	3,552	738	708	318	421	483	6,220
Non-interest income	1,571	330	256	126	443	170	2,896
Operating income	5,123	1,068	964	444	864	653	9,116
Operating expenses	(2,189)	(407)	(571)	(312)	(382)	(142)	(4,003)
Allowance for credit and other losses	(83)	(61)	(111)	(55)	(68)	(15)	(393)
Share of profit of associates and joint ventures	66	–	–	–	29	11	106
Profit before tax	2,917	600	282	77	443	507	4,826
Total assets before intangible assets	228,478	40,620	21,946	9,256	55,021	28,633	383,954
Intangible assets	3,182	–	725	231	–	–	4,138
Total assets	231,660	40,620	22,671	9,487	55,021	28,633	388,092
2017							
Net interest income	3,065	683	634	339	397	410	5,528
Non-interest income	1,848	302	237	122	354	172	3,035
Operating income	4,913	985	871	461	751	582	8,563
Operating expenses	(2,079)	(365)	(521)	(305)	(342)	(127)	(3,739)
Allowance for credit and other losses	(392)	(39)	(132)	(127)	(28)	(9)	(727)
Share of profit of associates and joint ventures	49	–	–	–	38	23	110
Profit before tax	2,491	581	218	29	419	469	4,207
Total assets before intangible assets	217,979	35,373	20,988	9,105	46,298	24,707	354,450
Intangible assets	3,182	–	724	236	–	–	4,142
Total assets	221,161	35,373	21,712	9,341	46,298	24,707	358,592

44. Financial Risk Management

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk, equity risk, commodity risk and liquidity risk.

The Group's financial risks are centrally managed by the various specialist committees within the authority delegated by the Board of Directors. These various specialist committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Group Board Risk Management Committee (BRMC).

The Group Risk Management Sector assumes the independent oversight of risks undertaken by the Group, and takes the lead in the formulation and approval of risk policies, controls and processes. The Group Market Risk and Product Control within the Group Risk Management Sector monitor Global Markets and Investment Management's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by Group Audit.

The main financial risks that the Group is exposed to and how they are managed is set out below:

(a) Credit risk

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations are fall due.

The Group Credit Committee supports the CEO and BRMC in managing the Group's overall credit risk exposures. It serves as an executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and system.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition past due amounts and credit limit excesses are tracked and analysed by business and product lines.

Country risk is the risk of loss due to specific events in a country that the Group has exposure to. These events include political and economic events, social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, and currency depreciation or devaluation.

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(i) Credit Exposure

The Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements, is shown in the table below:

	The Group			
	Average [1] 2018 $ million	Average [1] 2017 $ million	**2018 $ million**	2017 $ million
Balances and placements with central banks	**25,536**	25,458	**24,386**	24,354
Singapore Government treasury bills and securities	**5,648**	4,649	**5,615**	4,267
Other government treasury bills and securities	**11,971**	10,606	**13,201**	11,709
Trading debt securities	**1,847**	1,752	**1,675**	1,585
Placements and balances with banks	**53,340**	47,509	**50,800**	52,181
Loans to customers	**248,555**	227,795	**258,627**	232,212
Derivative financial assets	**6,628**	5,528	**5,730**	5,781
Investment debt securities	**8,969**	8,366	**10,142**	8,076
Others	**2,755**	3,179	**2,710**	3,017
	365,249	334,842	**372,886**	343,182
Contingent liabilities	**30,529**	25,112	**31,002**	26,398
Commitments (excluding operating lease and capital commitments)	**142,831**	135,702	**150,827**	136,185
	538,609	495,656	**554,715**	505,765

(1) Average balances are computed based on quarter-end exposure.

As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. Our collaterals are mostly properties while other types of collateral taken by the Group include cash, marketable securities, equipment, inventories and receivables. We have in place policies and processes to monitor collateral concentration.

In extending credit facilities to small- and medium-enterprises, personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

Corporate guarantees are often obtained when the borrower's creditworthiness is not sufficient to justify an extension of credit.

Exposures arising from foreign exchange, derivatives and securities financing transactions are typically mitigated through agreements such as the International Swaps and Derivatives Association Master Agreements, the Credit Support Annex and the Global Master Repurchase Agreements. Such agreements help to minimise credit exposure by allowing the Bank to offset what is owed to a counterparty against what is due from that counterparty in the event of a default.

In addition, derivative transactions are cleared through Central Counterparties, where possible, to reduce counterparty credit exposure further through multilateral netting and the daily margining processes.

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) Major On-Balance Sheet Credit Exposures

The exposures are determined based on country of incorporation/operation for non-individuals and residence for individuals.

	The Group				
	Gross loans to customers $ million	Government treasury bills and securities $ million	Placements and balances with banks $ million	Debt securities $ million	Total $ million
Analysed by geography					
2018					
Singapore	137,176	5,614	998	1,519	145,307
Malaysia	29,315	2,683	6,124	1,337	39,459
Thailand	16,813	2,945	2,608	47	22,413
Indonesia	11,289	1,225	2,269	4	14,787
Greater China	40,081	3,113	24,237	2,224	69,655
Others	27,033	3,235	14,564	6,686	51,518
Total	261,707	18,815	50,800	11,817	343,139
2017					
Singapore	127,602	4,267	1,559	1,579	135,007
Malaysia	26,948	1,781	4,901	1,233	34,863
Thailand	14,977	2,504	3,495	49	21,025
Indonesia	10,718	853	1,728	33	13,332
Greater China	32,301	2,814	25,439	1,293	61,847
Others	23,482	3,757	15,059	5,474	47,772
Total	236,028	15,976	52,181	9,661	313,846

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) (continued)

	The Group				
	Gross loans to customers $ million	Government treasury bills and securities $ million	Placements and balances with banks $ million	Debt securities $ million	Total $ million
Analysed by industry					
2018					
Transport, storage and communication	10,185	–	–	1,411	11,596
Building and construction	63,139	–	–	197	63,336
Manufacturing	21,112	–	–	2,091	23,203
Financial institutions, investment and holding companies	23,199	–	50,800	3,917	77,916
General commerce	32,928	–	–	1,173	34,101
Professionals and private individuals	29,288	–	–	–	29,288
Housing loans	68,387	–	–	–	68,387
Government	–	18,815	–	–	18,815
Others	13,469	–	–	3,028	16,497
Total	261,707	18,815	50,800	11,817	343,139
2017					
Transport, storage and communication	9,388	–	–	1,154	10,542
Building and construction	53,646	–	–	265	53,911
Manufacturing	18,615	–	–	1,825	20,440
Financial institutions, investment and holding companies	19,090	–	52,181	2,587	73,858
General commerce	30,664	–	–	855	31,519
Professionals and private individuals	28,182	–	–	–	28,182
Housing loans	65,569	–	–	–	65,569
Government	–	15,976	–	–	15,976
Others	10,874	–	–	2,975	13,849
Total	236,028	15,976	52,181	9,661	313,846

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iii) Major Off-Balance Sheet Credit Exposures

The exposures are determined based on country of incorporation/operation for non-individuals and residence for individuals.

	The Group			
	2018		2017	
	Contingent liabilities $ million	Commitments [1] $ million	Contingent liabilities $ million	Commitments [1] $ million
Analysed by geography				
Singapore	16,164	78,416	12,917	72,176
Malaysia	2,851	13,588	2,825	12,734
Thailand	1,627	11,753	1,404	11,066
Indonesia	1,095	5,818	909	5,232
Greater China	4,008	25,212	3,476	20,140
Others	5,257	16,040	4,867	14,837
Total	31,002	150,827	26,398	136,185
Analysed by industry				
Transport, storage and communication	1,386	5,719	1,275	5,891
Building and construction	7,673	26,989	6,925	23,046
Manufacturing	2,717	20,486	2,446	17,791
Financial institutions, investment and holding companies	8,623	18,371	5,873	14,337
General commerce	8,636	43,308	8,428	37,601
Professionals and private individuals	166	22,360	168	21,495
Housing loans	–	3,500	–	3,677
Others	1,801	10,094	1,283	12,347
Total	31,002	150,827	26,398	136,185

(1) Excluding operating lease and capital commitments.

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iv) Credit Quality

a. Non-trading gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group			
2018	Stage 1 $ million	Stage 2 $ million	Stage 3 $ million	Total $ million
Pass	244,504	7,102	–	251,606
Special mention	–	2,173	–	2,173
Substandard	–	–	2,489	2,489
Doubtful	–	–	207	207
Loss	–	–	1,298	1,298
	244,504	9,275	3,994	257,773

2017	The Group $ million
Pass	229,703
Special mention	2,114
Substandard	2,394
Doubtful	110
Loss	1,707
	236,028

b. Non-Trading Government Treasury Bills and Securities and Debt Securities

The table below presents an analysis of non-trading government treasury bills and securities and debt securities that are neither past due nor impaired for the Group by rating agency designation as at 31 December:

	The Group				
	Singapore Government treasury bills and securities	Other government treasury bills and securities		Debt securities	
2018	Stage 1 $ million	Stage 1 $ million	Stage 2 $ million	Stage 1 $ million	Stage 2 $ million
External rating:					
Investment grade (AAA to BBB-)	5,343	10,705	455	8,892	272
Non-investment grade (BB+ to C)	–	1,174	175	978	58
Total	5,343	11,879	630	9,870	330

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iv) Credit Quality (continued)

b. Non-Trading Government Treasury Bills and Securities and Debt Securities (continued)

	The Group		
2017	Singapore Government treasury bills and securities $ million	Other government treasury bills and securities $ million	Debt Securities $ million
External rating:			
Investment grade (AAA to BBB-)	4,267	11,691	7,649
Non-investment grade (BB+ to C)	–	6	269
Unrated	–	12	1,743
Total	4,267	11,709	9,661

c. Non-Trading Placement and Balances with Bank

	The Group		
2018	Stage 1 $ million	Stage 2 $ million	Total $ million
Pass	38,545	687	39,232

d. Loan Commitments and Contingents, Excluding Non-Financial Guarantees

	The Group			
2018	Stage 1 $ million	Stage 2 $ million	Stage 3 $ million	Total $ million
Pass	158,533	2,956	–	161,489
Special mention	–	643	–	643
Substandard	–	–	18	18
Doubtful	–	–	7	7
Loss	–	–	32	32
Total	158,533	3,599	57	162,189

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(v) Ageing Analysis of Past due but not Impaired Loans

	The Group			
	‹ 30 days $ million	30 – 59 days $ million	60 – 90 days $ million	Total $ million
Analysed by geography [1]				
2018				
Singapore	3,373	229	232	3,834
Malaysia	686	224	138	1,048
Thailand	397	95	66	558
Indonesia	77	16	28	121
Greater China	126	1	10	137
Others	96	6	11	113
Total	4,755	571	485	5,811
2017				
Singapore	1,783	360	90	2,233
Malaysia	705	299	93	1,097
Thailand	393	102	75	570
Indonesia	83	41	18	142
Greater China	86	13	2	101
Others	63	68	5	136
Total	3,113	883	283	4,279

(1) By borrower's country of incorporation/operation for non-individuals and residence for individuals.

44. 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				
2018				
Transport, storage and communication	321	8	3	332
Building and construction	1,212	86	31	1,329
Manufacturing	317	33	11	361
Financial institutions, investment and holding companies	294	2	2	298
General commerce	745	161	34	940
Professionals and private individuals	819	105	118	1,042
Housing loans	862	161	282	1,305
Others	185	15	4	204
Total	4,755	571	485	5,811
2017				
Transport, storage and communication	61	12	3	76
Building and construction	310	136	31	477
Manufacturing	315	36	21	372
Financial institutions, investment and holding companies	85	63	1	149
General commerce	744	98	51	893
Professionals and private individuals	622	180	63	865
Housing loans	885	342	102	1,329
Others	91	16	11	118
Total	3,113	883	283	4,279

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vi) Ageing Analysis of Non-Performing Assets

	The Group					
	Current $ million	‹ 90 days $ million	90 – 180 days $ million	› 180 days $ million	Total $ million	Stage 3 ECL/ Specific allowance $ million
Analysed by geography (1)						
2018						
Singapore	529	334	167	1,055	2,085	818
Malaysia	39	39	89	391	558	161
Thailand	63	96	74	223	456	153
Indonesia	69	32	27	417	545	221
Greater China	19	29	4	68	120	53
Others	68	43	17	102	230	102
Non-performing loans	787	573	378	2,256	3,994	1,508
Debt securities, contingent items and others	98	8	1	65	172	143
Total	885	581	379	2,321	4,166	1,651
2017						
Singapore	452	296	469	841	2,058	934
Malaysia	51	93	60	381	585	220
Thailand	46	82	68	243	439	157
Indonesia	278	52	75	289	694	312
Greater China	15	–	–	117	132	76
Others	41	70	5	187	303	156
Non-performing loans	883	593	677	2,058	4,211	1,855
Debt securities, contingent items and others	53	7	58	60	178	159
Total	936	600	735	2,118	4,389	2,014

(1) By borrower's country of incorporation/operation for non-individuals and residence for individuals.

44. 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	Stage 3 ECL/ Specific allowance $ million
Analysed by industry						
2018						
Transport, storage and communication	98	55	29	631	813	512
Building and construction	22	118	68	289	497	80
Manufacturing	197	165	10	337	709	291
Financial institutions, investment and holding companies	3	1	16	21	41	23
General commerce	54	106	28	323	511	191
Professionals and private individuals	72	56	65	127	320	77
Housing loans	42	65	145	487	739	123
Others	299	7	17	41	364	211
Non-performing loans	787	573	378	2,256	3,994	1,508
Debt securities, contingent items and others	98	8	1	65	172	143
Total	885	581	379	2,321	4,166	1,651
2017						
Transport, storage and communication	190	72	267	680	1,209	835
Building and construction	225	34	65	104	428	58
Manufacturing	247	50	103	238	638	279
Financial institutions, investment and holding companies	3	24	1	64	92	7
General commerce	79	40	58	308	485	214
Professionals and private individuals	71	42	78	104	295	73
Housing loans	44	68	98	467	677	127
Others	24	263	7	93	387	262
Non-performing loans	883	593	677	2,058	4,211	1,855
Debt securities, contingent items and others	53	7	58	60	178	159
Total	936	600	735	2,118	4,389	2,014

44. Financial Risk Management (continued)

(a) Credit Risk (continued)

(vii) Security Coverage of Non-Performing Assets

	Collateral/credit enhancement					
	Properties $ million	Shares / debentures $ million	Fixed deposits $ million	Others $ million	Unsecured credit exposure $ million	Total $ million
The Group						
2018						
Loans to customers	1,889	6	10	451	1,638	3,994
Debt securities	–	–	–	–	93	93
Others (including commitment and contingent)	8	–	3	2	66	79
Of which:						
Credit impaired assets with nil ECL due to collateral/credit enhancement	811	–	6	71	–	888

	The Group 2017 $ million
Non-performing assets secured by:	
Properties	1,771
Marketable securities, fixed deposits and others	487
Unsecured non-performing assets	2,131
	4,389

Collaterals repossessed to settle outstanding loans were immaterial.

(b) Foreign Exchange Risk and Equity Risk

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Group's foreign exchange exposures comprise trading and banking (non-trading and structural) foreign exchange exposures. Non-trading foreign exchange exposures are principally derived from investments and funding activities and customer businesses. Structural foreign currency exposures are represented by the net asset values of overseas branches and subsidiaries, share of the net asset values of overseas associates and joint ventures, intangible assets attributable to overseas subsidiaries, and long-term investment in overseas properties used for banking purposes, which are strategic in nature. The Group utilises foreign currency contracts and foreign exchange derivatives to hedge its foreign exchange exposures.

Foreign exchange risk is managed through policies and market risk limits approved by the Group Asset and Liability Committee (ALCO). The limits are independently monitored by Group Market Risk and Product Control.

At 31 December 2018, banking book foreign currency Value-at-Risk (VaR) inclusive of structural foreign currency VaR was $19.7 million (2017: $52.4 million).

Equity price risk in the banking book arises from equity investments held for long-term strategic reasons. At the end of the reporting period, if these equity prices had been 1% higher/lower with all other variables held constant, the Group's other comprehensive income would have been $34 million (2017: $32 million) higher/lower as a result of an increase/decrease in the fair value of equity investments classified as fair value through other comprehensive income/available-for-sale.

44. Financial Risk Management (continued)

(b) Foreign Exchange Risk and Equity Risk (continued)

(i) The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date.

	The Group						
	Singapore Dollar $ million	US Dollar $ million	Malaysian Ringgit $ million	Thai Baht $ million	Indonesian Rupiah $ million	Others $ million	Total $ million
2018							
Cash, balances and placements with central banks	15,333	997	2,094	297	574	5,957	25,252
Securities	7,948	10,188	3,595	2,948	856	8,762	34,297
Placements and balances with banks	1,083	32,503	3,787	2,238	198	10,991	50,800
Loans to customers	122,435	49,837	24,910	15,243	5,036	41,166	258,627
Investment in associates and joint ventures	918	224	3	–	–	25	1,170
Intangible assets	3,168	–	–	739	231	–	4,138
Derivative financial assets	2,003	1,608	71	139	(40)	1,949	5,730
Others	2,302	3,173	416	576	590	1,021	8,078
Total assets	155,190	98,530	34,876	22,180	7,445	69,871	388,092
Deposits and balances of customers	130,981	71,704	28,312	17,148	5,148	39,893	293,186
Deposits and balances of banks, and bills and drafts payable	2,062	4,928	749	296	142	6,261	14,438
Debts issued	1,266	22,303	528	672	304	5,533	30,606
Derivative financial liabilities	1,466	5,891	101	199	11	(1,828)	5,840
Others	2,318	1,962	611	388	93	838	6,210
Total liabilities	138,093	106,788	30,301	18,703	5,698	50,697	350,280
On-balance sheet open position [1]	17,097	(8,258)	4,575	3,477	1,747	19,174	

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

44. Financial Risk Management (continued)

(b) Foreign Exchange Risk and Equity Risk (continued)

(i) (continued)

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

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

44. Financial Risk Management (continued)

(b) Foreign Exchange Risk and Equity Risk (continued)

(ii) Structural currency exposures of the Group as at the balance sheet date are as follows:

	The Group		
	Total $ million	Hedged $ million	Unhedged $ million
2018			
Chinese Renminbi	**1,859**	**–**	**1,859**
Indonesian Rupiah	**1,148**	**–**	**1,148**
Malaysian Ringgit	**3,301**	**–**	**3,301**
Thai Baht	**3,045**	**–**	**3,045**
US Dollar	**2,387**	**2,117**	**270**
Others	**2,187**	**1,180**	**1,007**
	13,927	**3,297**	**10,630**
2017			
Chinese Renminbi	2,003	–	2,003
Indonesian Rupiah	1,219	–	1,219
Malaysian Ringgit	2,978	–	2,978
Thai Baht	2,755	–	2,755
US Dollar	1,983	1,983	–
Others	1,986	1,298	688
	12,924	3,281	9,643

(c) Banking Book Interest Rate Risk

Interest rate risk is the impact to earnings and economic value of the Group due to fluctuations in interest rates. Interest rate exposure arises from differences in the maturity and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the ALCO.

The Group's interest rate risk sensitivity is measured as changes in economic value of equity (EVE) or net interest income (NII) based on new Basel IRRBB requirements. At 100 and 200 basis points parallel interest rate shocks, worst case results were negative $779 million and $1,589 million (2017: negative $345 million and $637 million) respectively.

EVE is the present value of assets less present value of liabilities of the Group. NII is the simulated change in the Group's net interest income. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Interest rate flooring effects are taken into consideration. Loan prepayment and time deposit early withdrawal rates are estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate. The average repricing maturity of core non-maturity deposits is determined through empirical models taking into account asset duration. Risk-free zero coupon curves are used for EVE discounting. Currencies are aggregated by scenarios. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

44. Financial Risk Management (continued)

(d) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Group manages liquidity risk in accordance with the liquidity framework approved by the ALCO. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress-test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

(i) The following table shows the cash flow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans. In particular, the Group has a significant amount of "core deposits" of customers which are contractually at call (included in the "Up to 7 days" time band) but historically have been a stable source of long-term funding for the Group.

	The Group							
	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
2018								
Cash, balances and placements with central banks	6,461	3,982	6,058	2,685	–	2,284	3,839	25,309
Securities	606	1,292	2,245	4,229	10,958	14,691	3,645	37,666
Placements and balances with banks	11,230	11,724	12,820	10,618	2,017	2,802	(10)	51,201
Loans to customers	16,396	29,901	18,512	36,340	60,570	141,764	1,626	305,109
Investment in associates and joint ventures	–	–	–	–	–	–	1,170	1,170
Intangible assets	–	–	–	–	–	–	4,138	4,138
Derivative financial assets	–	–	–	–	–	–	5,730	5,730
Others	993	8	29	183	1	2,056	3,379	6,649
Total assets	35,686	46,907	39,664	54,055	73,546	163,597	23,517	436,972
Deposits and balances of customers	142,953	39,393	46,111	62,393	2,349	2,020	52	295,271
Deposits and balances of banks, and bills and drafts payable	8,895	4,116	1,038	358	36	–	23	14,466
Debts issued	288	2,303	8,657	6,014	7,222	8,667	(335)	32,816
Derivative financial liabilities	–	–	–	–	–	–	5,840	5,840
Others	2,700	13	81	250	3	17	2,253	5,317
Total liabilities	154,836	45,825	55,887	69,015	9,610	10,704	7,833	353,710
Equity attributable to:								
Equity holders of the Bank	–	–	–	588	864	7,718	28,723	37,893
Non-controlling interests	–	–	–	–	–	–	190	190
Total equity	–	–	–	588	864	7,718	28,913	38,083
Net on-balance sheet position	(119,150)	1,082	(16,223)	(15,548)	63,072	145,175	(13,229)	
Net off-balance sheet position	(51,235)	(1,073)	(1,523)	(619)	156	(4,701)	(74)	
Net maturity mismatch	(170,385)	9	(17,746)	(16,167)	63,228	140,474	(13,303)	

44. 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
2017								
Cash, balances and placements with central banks	10,068	5,528	1,971	2,735	–	2,466	3,891	26,659
Securities	212	1,349	2,244	2,997	8,495	13,308	3,519	32,124
Placements and balances with banks	13,883	12,919	14,616	6,975	991	2,933	116	52,433
Loans to customers	13,877	21,888	19,834	34,128	53,469	128,469	1,804	273,469
Investment in associates and joint ventures	–	–	–	–	–	–	1,194	1,194
Intangible assets	–	–	–	–	–	–	4,142	4,142
Derivative financial assets	–	–	–	–	–	–	5,781	5,781
Others	671	39	96	327	10	1,812	3,439	6,394
Total assets	38,711	41,723	38,761	47,162	62,965	148,988	23,886	402,196
Deposits and balances of customers	142,495	37,519	35,981	52,494	2,938	2,789	32	274,248
Deposits and balances of banks, and bills and drafts payable	6,687	3,226	1,634	564	34	–	20	12,165
Debts issued	1,231	3,699	8,379	1,819	4,359	7,579	(160)	26,906
Derivative financial liabilities	–	–	–	–	–	–	5,531	5,531
Others	1,151	72	120	341	13	833	2,865	5,395
Total liabilities	151,564	44,516	46,114	55,218	7,344	11,201	8,288	324,245
Equity attributable to:								
Equity holders of the Bank	–	21	–	958	651	8,088	27,527	37,245
Non-controlling interests	–	–	–	–	–	–	187	187
Total equity	–	21	–	958	651	8,088	27,714	37,432
Net on-balance sheet position	(112,853)	(2,814)	(7,353)	(9,014)	54,970	129,699	(12,116)	
Net off-balance sheet position	(56,880)	(345)	(1,818)	297	350	(3,147)	(509)	
Net maturity mismatch	(169,733)	(3,159)	(9,171)	(8,717)	55,320	126,552	(12,625)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37 and 39a. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2018 and 2017. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers. The behavioural adjustments based on historical trends are disclosed in Note 44d(ii).

44. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(ii) The following table shows the cash flow analysis of the Group's assets and liabilities for a one-year period, with behavioural adjustments on significant balance sheet items on an undiscounted basis. The maturity profile for loans and deposits that do not have maturity dates, and fixed deposits that are frequently rolled over, is estimated based on past statistics and historical trends. Other balance sheet items such as credit cards are generally estimated based on the behavioural patterns of the customers. There may be some differences in the assumptions across geographical locations due to variations in local conditions.

	The Group			
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million
2018				
Cash, balances and placements with central banks	6,619	3,961	5,955	2,651
Securities	728	1,315	2,236	4,189
Placements and balances with banks	11,235	11,746	12,860	10,703
Loans to customers	16,552	30,369	20,351	41,151
Others	993	17	29	183
Total assets	36,127	47,408	41,431	58,877
Deposits and balances of customers [1]	21,036	31,976	20,469	15,634
Deposits and balances of banks, and bills and drafts payable	8,824	4,187	1,038	358
Debts issued	288	2,303	8,657	6,014
Others	2,876	20	81	250
Total liabilities	33,024	38,486	30,245	22,256
Equity attributable to:				
Equity holders of the Bank	–	–	–	588
Non-controlling interests	–	–	–	–
Total equity	–	–	–	588
Net on-balance sheet position	3,103	8,922	11,186	36,033
Net off-balance sheet position	(3,303)	(5,413)	(4,493)	(5,966)
Net maturity mismatch	(200)	3,509	6,693	30,067

(1) Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

44. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(ii) (continued)

	The Group			
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million
2017				
Cash, balances and placements with central banks	10,469	5,510	1,608	2,716
Securities	602	1,506	1,978	2,884
Placements and balances with banks	13,917	13,019	14,585	6,910
Loans to customers	14,530	23,284	21,349	38,549
Others	671	47	96	327
Total assets	40,189	43,366	39,616	51,386
Deposits and balances of customers [1]	22,914	28,636	15,844	9,398
Deposits and balances of banks, and bills and drafts payable	6,594	3,320	1,634	563
Debts issued	1,231	3,699	8,379	1,819
Others	1,021	78	120	341
Total liabilities	31,760	35,733	25,977	12,121
Equity attributable to:				
Equity holders of the Bank	–	21	–	959
Non-controlling interests	–	–	–	–
Total equity	–	21	–	959
Net on-balance sheet position	8,429	7,612	13,639	38,306
Net off-balance sheet position	(2,646)	(5,372)	(4,393)	(4,462)
Net maturity mismatch	5,783	2,240	9,246	33,844

(1) Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

44. Financial Risk Management (continued)

(e) Value-At-Risk

The Group adopts a daily VaR to estimate market risk within a 99% confidence interval using the historical simulation method for its trading book. This entails the estimation of tail loss based on the most recent historical data, which may not always reflect the extreme loss event. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements. The level of VaR is dependent on the exposures, as well as historical market prices and volatilities. The Group runs market risk stress to complement the market risk historical simulation VaR.

The table below shows the trading book VaR profile by risk classes.

	The Group			
	Year end $ million	High $ million	Low $ million	Average $ million
2018				
Interest rate	**3.59**	**6.28**	**1.74**	**3.49**
Foreign exchange	**1.18**	**4.86**	**0.81**	**1.67**
Equity	**0.25**	**2.95**	**0.13**	**0.60**
Commodity	**0.36**	**0.79**	**0.18**	**0.34**
Specific risk [1]	**1.18**	**2.68**	**0.85**	**1.34**
Total VaR	**7.72**	**11.41**	**6.69**	**8.56**
2017				
Interest rate	2.65	17.35	1.77	4.70
Foreign exchange	2.39	9.73	0.73	3.11
Equity	0.21	4.43	0.02	2.51
Commodity	0.44	1.73	0.18	0.36
Specific risk [1]	0.78	9.10	0.30	1.11
Total VaR	7.21	17.72	5.46	8.88

(1) Specific risk encompasses specific equity market risk and specific credit market risk. It is computed from the residual volatility implied from the movement of individual assets and their corresponding indices.

45. Capital Management

The Group's capital management objective is to maintain an optimal capital level and mix that supports its businesses as well as strategic growth and investment opportunities, while meeting regulatory requirements and maintaining a strong credit rating. The Group, including the Bank and its overseas banking entities, has complied with all externally-imposed regulatory capital requirements throughout the financial year.

The Group is subject to the Basel III capital adequacy standards, as prescribed in the MAS Notice 637 (MAS 637). The Group's Common Equity Tier 1 capital comprises mainly paid up ordinary share capital and disclosed reserves. Additional Tier 1 capital includes eligible non-cumulative non-convertible perpetual securities while Tier 2 capital comprises subordinated notes and excess of accounting provisions over MAS 637 expected loss. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2018	2017
	$ million	$ million
Share capital	**4,888**	4,792
Disclosed reserves/others	**30,445**	28,922
Regulatory adjustments	**(4,583)**	(3,580)
Common Equity Tier 1 capital	**30,750**	30,134
Perpetual capital securities/others	**2,129**	2,976
Regulatory adjustments	**–**	(890)
Additional Tier 1 capital	**2,129**	2,086
Tier 1 capital	**32,879**	32,220
Subordinated notes	**4,186**	4,150
Provisions/others	**477**	983
Regulatory adjustments	**–**	(5)
Tier 2 capital	**4,663**	5,128
Eligible total capital	**37,542**	37,348
Risk-weighted assets	**220,568**	199,481
Capital adequacy ratios (%)		
Common Equity Tier 1	**13.9**	15.1
Tier 1	**14.9**	16.2
Total	**17.0**	18.7

46. Explanation of the Adoption of SFRS(I) 9

A reconciliation between the carrying amounts under FRS 39 to the balances reported under SFRS(I) 9 as of 1 January 2018 is as follows:

	FRS 39 measurement		Re-classification	Remeasurement		SFRS(I) 9	
	Category	Amount		ECL	Other	Amount	Category
		$ million	$ million	$ million	$ million	$ million	
The Group							
Financial assets							
Cash, balances and placements with central banks	Available-for-sale	1,256	–	(10)	10	**1,256**	**FVOCI**
	Loans and receivables	21,870	–	(12)	–	**21,858**	**AC**
Other government treasury bills and securities	Available-for-sale	9,337	–	(14)	14	**9,337**	**FVOCI**
Placements and balances with banks	Loans and receivables	39,757	–	(93)	–	**39,664**	**AC**
Loans to customers	Loans and receivables	228,810	–	(1,568)	1,961	**229,203**	**AC**
Investment securities – Debt	Available-for-sale	7,692	(232)	(52)	52	**7,460**	**FVOCI**
To: FVPL-mandatory			(4)	–	–		
To: Debt instruments at AC			(228)	–	–		
Investment securities – Debt	Loans and receivables	384	228	(3)	–	**609**	**AC**
From: Investment securities – debt at Available-for-sale			228	–	–		
Investment securities – Debt	Designated as fair value through profit or loss	–	4	–	–	**4**	**FVPL – mandatory**
From: Investment securities – debt at Available-for-sale			4	–	–		
Investment securities – Equity	Designated as fair value through profit or loss	11	677	–	–	**688**	**FVPL – mandatory**
From: Investment securities at Available-for-sale			677	–	–		
Investment securities – Equity	Available-for-sale	3,186	(677)	–	–	**2,509**	**FVOCI**
To: FVPL – mandatory			(677)	–	–		
Other assets	Loans and receivables	3,075	–	(27)	–	**3,048**	**AC**
Financial liabilities							
Other liabilities	Non-trading liabilities	4,106	–	197	–	**4,303**	**AC**
Tax payable	Non-financial liabilities	550	2	(10)	–	**542**	**Non-financial liabilities**
Deferred tax liabilities	Non-financial liabilities	178	2	7	–	**187**	**Non-financial liabilities**

46. Explanation of the Adoption of SFRS(I) 9 (continued)

	FRS 39 measurement		Re-classification	Remeasurement		SFRS(I) 9	
	Category	Amount $ million	$ million	ECL $ million	Other $ million	Amount $ million	Category
The Bank							
Financial assets							
Cash, balances and placements with central banks	Loans and receivables	15,972	–	(5)	–	**15,967**	**AC**
Other government treasury bills and securities	Available-for-sale	4,456	–	(8)	8	**4,456**	**FVOCI**
Placements and balances with banks	Loans and receivables	32,272	–	(64)	–	**32,208**	**AC**
Loans to customers	Loans and receivables	177,119	–	(717)	1,107	**177,509**	**AC**
Placements with and advances to subsidiaries	Loans and receivables	11,070	–	(45)	–	**11,025**	**AC**
Investment securities – Debt	Available-for-sale	6,899	(231)	(51)	51	**6,668**	**FVOCI**
To: FVPL-mandatory			(4)	–	–		
To: Debt instruments at AC			(227)	–	–		
Investment securities – Debt	Loans and receivables	776	227	(3)	–	**1,000**	**AC**
From: Investment securities – debt at Available-for-sale			227	–	–		
Investment securities – Debt	Designated as fair value through profit or loss	–	4	–	–	**4**	**FVPL – mandatory**
From: Investment securities – debt at Available-for-sale			4	–	–		
Investment securities – Equity	Designated as fair value through profit or loss	–	466	–	–	**466**	**FVPL – mandatory**
From: Investment securities at Available-for-sale			466	–	–		
Investment securities – Equity	Available-for-sale	2,819	(466)	–	–	**2,353**	**FVOCI**
To: FVPL – mandatory			(466)	–	–		
Other assets	Loans and receivables	1,605	–	(18)	–	**1,587**	**AC**
Financial liabilities							
Other liabilities	Non-trading liabilities	1,881	–	149	–	**2,030**	**AC**
Tax payable	Non-financial liabilities	472	2	(9)	–	**465**	**Non-financial liabilities**
Deferred tax liabilities	Non-financial liabilities	114	2	41	–	**157**	**Non-financial liabilities**

46. Explanation of the Adoption of SFRS(I) 9 (continued)

The impact of transition of SFRS(I) 9 on reserves and retained earnings is as follows:

	The Group $ million	The Bank $ million
Retained earnings		
Closing balance under FRS 39 (31 December 2017)	19,707	14,701
Reclassification adjustments in relation to adoption of SFRS(I) 9:	59	96
Reclassification of investment securities from available-for-sale to FVPL	107	81
Reclassification of investment securities from available-for-sale to FVOCI	70	65
Impact of recognising own credit risk on financial liabilities designated at FVPL in fair value reserve	(52)	(52)
Recognition of SFRS(I) 9 expected credit losses	–	59
Tax in relation to the above	(5)	(35)
Others	(58)	(22)
Non-controlling interest	(3)	–
Opening balance under SFRS(I) 9 (1 January 2018)	19,766	14,797
Other reserves		
Closing balance under FRS 39 (31 December 2017)	9,377	10,045
Reclassification adjustments in relation to adoption of SFRS(I) 9:	1	(29)
Reclassification of investment securities from available-for-sale to FVPL	(107)	(81)
Reclassification of investment securities from available-for-sale to FVOCI	(70)	(65)
Impact of recognising own credit risk on financial liabilities designated at FVPL in fair value reserve	52	52
Allowance for expected credit losses for debts financial assets at FVOCI	61	43
Tax in relation to the above	3	–
Others	58	22
Non-controlling interest	4	–
Opening balance under SFRS(I) 9 (1 January 2018)	9,378	10,016
Total changes in equity due to adopting SFRS(I) 9	60	67

46. Explanation of the Adoption of SFRS(I) 9 (continued)

The following table reconciles the general allowances in accordance with FRS 39, modified by requirements under MAS Notice 612, to the corresponding ECL allowances determined in accordance with SFRS(I) 9 as at 1 January 2018.

	General allowance under FRS 39 at 31 December 2017 $ million	Re-measurement $ million	ECL under SFRS(I) 9 at 1 January 2018 $ million
The Group			
Cash, balances and placements with central banks	–	22	22
Other government treasury bills and securities	–	14	14
Placements and balances with banks	–	93	93
Loans to customers	1,961	(393)	1,568
Investment securities	15	40	55
Other assets	–	27	27
Other liabilities	–	197	197
Total ECL allowances	1,976	–	1,976
The Bank			
Cash, balances and placements with central banks	–	5	5
Other government treasury bills and securities	–	8	8
Placements and balances with banks	–	64	64
Loans to customers	1,107	(389)	718
Placement with and advances to subsidiaries	–	45	45
Investment securities	15	39	54
Other assets	–	20	20
Other liabilities	–	149	149
Total ECL allowances	1,122	(59)	1,063

47. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 21 February 2019.