UOB 大华银行

United Overseas Bank Limited
HEAD OFFICE
80 Raffles Place UOB Plaza
Singapore 048624
Tel (65) 6533 9898 Fax (65) 6534 2334
uobgroup.com
Co. Reg. No. 193500026Z

Announcement

To: All Shareholders

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

Unaudited Financial Results for the First Half/Second Quarter Ended 30 June 2018
Details of the financial results are in the accompanying Group Financial Report.

Dividends and Distributions for the second quarter ended 30 June 2018
Ordinary share dividend
An interim one-tier tax-exempt dividend of 50 cents (2Q17: 35 cents) per ordinary share has been declared in respect of the financial year ending 31 December 2018. The dividend will be paid in cash on 28 August 2018. The UOB scrip dividend scheme will be suspended.

Notice is hereby given that the Share Transfer Books and Register of Members of the Bank will be closed on 17 August 2018, for the preparation of dividend warrants. Registrable transfers received by the Bank's Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 pm on 16 August 2018 will be registered for the interim dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Ltd ("CDP"), the interim dividend will be paid by the Bank to CDP which will, in turn, distribute the dividend to holders of the securities accounts.

Distributions on perpetual capital securities
On 19 April 2018, a semi-annual distribution at an annual rate of 3.875% totalling US$13 million was paid on the Bank's US$650 million 3.875% non-cumulative non-convertible perpetual capital securities for the period from 19 October 2017 up to, but excluding 19 April 2018.

On 18 May 2018, a semi-annual distribution at an annual rate of 4.00% totalling S$15 million was paid on the Bank's S$750 million 4.00% non-cumulative non-convertible perpetual capital securities for the period from 18 November 2017 up to, but excluding 18 May 2018.

On 21 May 2018, a semi-annual distribution at an annual rate of 4.75% totalling S$12 million was paid on the Bank's S$500 million 4.75% non-cumulative non-convertible perpetual capital securities for the period from 19 November 2017 up to, but excluding 19 May 2018.

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

Confirmation by Directors
The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results of the Group for the first half/second quarter ended 30 June 2018 to be false or misleading in any material aspect.

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

BY ORDER OF THE BOARD

UNITED OVERSEAS BANK LIMITED

Ms Joyce Sia
Secretary

Dated this 3rd day of August 2018

The results are also available at www.uobgroup.com

Group Financial Report

For the First Half/Second Quarter ended 30 June 2018

United Overseas Bank Limited
Incorporated in the Republic of Singapore

UOB

Contents

Notes

1 The financial statements are presented in Singapore dollars.
2 Certain comparative figures have been restated to conform with current period's presentation.
3 Certain figures in this report may not add up to the respective totals due to rounding.
4 Amounts less than $500,000 in absolute term are shown as "0".
5 Non-impaired assets refer to Stage 1 and Stage 2 assets under SFRS(I) 9.
6 Impaired assets refer to Stage 3 and purchased or originated credit-impaired assets under SFRS(I) 9.

Abbreviation

"1H18" and "1H17" denote first half of 2018 and 2017 respectively.
"1Q18" denotes first quarter of 2018.
"2Q18" and "2Q17" denote second quarter of 2018 and 2017 respectively.
"NM" denotes not meaningful.
"NA" denotes not applicable.

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Financial Highlights

	1H18	1H17	+/(-) %	2Q18	2Q17	+/(-) %	1Q18	+/(-) %
Selected income statement items ($m)								
Net interest income	**3,012**	2,659	13	**1,542**	1,356	14	1,470	5
Net fee and commission income	**1,015**	887	15	**498**	448	11	517	(4)
Other non-interest income	**546**	621	(12)	**302**	310	(3)	244	24
Total income	**4,573**	4,167	10	**2,342**	2,114	11	2,231	5
Less: Operating expenses	**2,009**	1,812	11	**1,022**	925	10	987	4
Operating profit	**2,564**	2,355	9	**1,320**	1,189	11	1,244	6
Less: Allowances for credit and other losses	**170**	366	(54)	**90**	180	(50)	80	14
Add: Share of profit of associates and joint ventures	**81**	59	38	**52**	24	>100	29	81
Net profit before tax	**2,476**	2,047	21	**1,282**	1,033	24	1,193	7
Less: Tax and non-controlling interests	**421**	395	7	**205**	188	9	216	(5)
Net profit after tax [1]	**2,055**	1,652	24	**1,077**	845	28	978	10
Selected balance sheet items ($m)								
Net customer loans	**246,392**	223,792	10	**246,392**	223,792	10	237,447	4
Customer deposits	**287,515**	259,920	11	**287,515**	259,920	11	273,817	5
Total assets	**384,263**	344,414	12	**384,263**	344,414	12	364,455	5
Shareholders' equity [1]	**37,660**	34,652	9	**37,660**	34,652	9	37,877	(1)
Key financial ratios (%)								
Net interest margin [2]	**1.83**	1.74		**1.83**	1.75		1.84	
Non-interest income/Total income	**34.1**	36.2		**34.2**	35.9		34.1	
Cost/Income ratio	**43.9**	43.5		**43.6**	43.8		44.2	
Overseas profit before tax contribution	**41.5**	43.9		**40.0**	42.2		43.1	
Credit costs on loans (bp) [2]								
Non-impaired	**1**	(7)		**3**	2		(1)	
Impaired	**11**	39		**11**	30		12	
Total	**12**	32		**13**	32		11	
NPL ratio [3]	**1.7**	1.5		**1.7**	1.5		1.7	

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

Financial Highlights *(cont'd)*

	1H18	1H17	**2Q18**	2Q17	1Q18
Key financial ratios (%) *(cont'd)*					
Return on average ordinary shareholders' equity [1,2]	**11.6**	10.2	**12.1**	10.3	11.0
Return on average total assets [1]	**1.12**	0.97	**1.16**	0.99	1.09
Return on average risk-weighted assets [1]	**2.04**	1.56	**2.13**	1.61	1.95
Loan/Deposit ratio [3]	**85.7**	86.1	**85.7**	86.1	86.7
Liquidity coverage ratios ("LCR") [4]					
All-currency	**135**	156	**142**	157	128
Singapore dollar	**191**	218	**206**	203	174
Net stable funding ratio ("NSFR") [5]	**110**	NA	**110**	NA	111
Capital adequacy ratios					
Common Equity Tier 1	**14.5**	13.8	**14.5**	13.8	14.9
Tier 1	**16.0**	14.3	**16.0**	14.3	16.4
Total	**18.4**	17.8	**18.4**	17.8	18.8
Leverage ratio [6]	**7.7**	7.8	**7.7**	7.8	8.2
Earnings per ordinary share ($) [1,2]					
Basic	**2.39**	1.96	**2.51**	2.00	2.28
Diluted	**2.38**	1.95	**2.50**	1.99	2.27
Net asset value ("NAV") per ordinary share ($) [7]	**20.77**	19.63	**20.77**	19.63	21.01
Revalued NAV per ordinary share ($) [7]	**23.63**	22.35	**23.63**	22.35	23.84

Notes:
1 Computed on an annualised basis.
2 Calculated based on profit attributable to equity holders of the Bank net of perpetual capital securities distributions.
3 Refer to net customer loans and customer deposits.
4 Figures reported are based on average LCR for the respective periods. A minimum requirement of Singapore dollar LCR of 100% and all-currency LCR of 60% shall be maintained at all times with effect from 1 January 2015, with all-currency LCR increasing by 10% each year to 100% by 2019. Public disclosure required under MAS Notice 651 is available in the UOB website at www.UOBGroup.com/investor/financial/overview.html.
5 NSFR is calculated based on MAS Notice 652. A minimum requirement of 100% shall be maintained effective January 2018. Public disclosure required under MAS Notice 653 is available in the UOB website at www.UOBGroup.com/investor/financial/overview.html.
6 Leverage ratio is calculated based on MAS Notice 637. A minimum ratio of 3% is required effective 1 January 2018.
7 Perpetual capital securities are excluded from the computation.

Performance Review

Changes in Accounting Policies
The Group adopted the following changes with effect from 1 January 2018:

(i) New financial reporting framework
Singapore listed companies are required to apply a new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") that is equivalent to the International Financial Reporting Standards ("IFRS") with effect from 1 January 2018. Accordingly, the financial statements have been prepared based on the new reporting framework. SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) was applied with no impact on the financial statements.

(ii) SFRS(I) and SFRS(I) Interpretations
SFRS(I) and SFRS(I) Interpretations effective from 1 January 2018 have been applied. The following represents a change from the requirements previously applied under Singapore Financial Reporting Standards ("FRS").

- 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

(iii) Revised Monetary Authority of Singapore ("MAS") Notice 612 Credit Files, Grading and Provisioning
The revised Notice requires Singapore-incorporated Domestic Systemically Important Banks to maintain a minimum level of regulatory loss allowance 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 minimum regulatory requirement, an additional loss allowance in a non-distributable regulatory loss allowance reserve through an appropriation of retained earnings is required.

The adoption of the above changes did not have a significant impact on the Group's financial statements on transition date. The impact of adopting SFRS(I) 9 on retained earnings and other reserves is shown in Appendix 4 - Consolidated Statement of Changes in Equity. No additional loss allowance was required by MAS Notice 612 on transition date.

Other than the above changes, the accounting policies and computation methods adopted in the financial statements for the first half of 2018 are the same as those applied in the audited financial statements for the financial year ended 31 December 2017.

1H18 versus 1H17

The Group reported net earnings of $2.05 billion for 1H18, 24% higher than the same period a year ago.

The 13% year-on-year increase in net interest income to $3.01 billion was supported by an uplift in net interest margin and broad-based loan growth of 10%. Net interest margin improved 9 basis points to 1.83%, driven by an increase in net loan margin of 7 basis points amid a rising interest rate environment. Active balance sheet management was also a contributor, resulting in a higher blended interbank and securities margin by 24 basis points.

Net fee and commission income increased 15% to $1.02 billion as compared with the first half of last year, attributed to the strong performance in loan-related, wealth management, fund management and credit card fees. Other non-interest income decreased 12% to $546 million, mainly due to lower net trading income from fair value changes on hedges of structural positions in 1Q18 and lower net gain from investment securities.

All business segments achieved strong income growth in 1H18 as compared with a year ago. Total income for Group Retail rose 5% to $1.94 billion, mainly driven by double-digit growth in fee-based income from wealth management and credit cards. Group Wholesale Banking income grew 11% to $1.93 billion, led by volume growth and higher loan margin, coupled with increased contribution from fee income. Global Markets also delivered high single-digit growth of 9% to $271 million, attributable to higher trading income and favourable foreign exchange movements.

Total expenses increased 11% to $2.01 billion, driven by higher performance-related staff costs and planned IT-related investments as the Group continued to invest in talent and infrastructure to support its digitalisation initiatives and to enhance productivity, product capabilities and customer experience seamlessly across all touchpoints. The cost-to-income ratio for 1H18 rose marginally to 43.9%, reflecting the Group's discipline in cost management.

Total allowances decreased 54% to $170 million from a year ago, mainly due to the favourable operating environment resulting in a resilient loan portfolio, and lower residual risks from the oil and gas and shipping sectors as compared with prior periods. Credit costs on non-performing loans ("NPL") for 1H18 were 11 basis points.

2Q18 versus 2Q17

The Group reported net earnings of $1.08 billion in 2Q18, 28% higher as compared with the same quarter last year, attributed to strong overall operating income.

Net interest income grew 14% to $1.54 billion, supported by loan growth of 10% and an improvement in net interest margin by 8 basis points to 1.83%.

Net fee and commission income rose 11% to $498 million, contributed by broad-based growth in loan-related, fund management, credit card and trade-related fees. Other non-interest income decreased by 3% to $302 million mainly due to lower net gain from investment securities.

Total expenses for the quarter increased 10% from a year ago to $1.02 billion, primarily from staff expenses and planned IT-related investments. The cost-to-income ratio for the quarter stood at 43.6%.

Total allowances halved to $90 million in 2Q18 as the prior year's higher allowances were mainly driven by specific allowance set aside for NPLs from the oil and gas and shipping sectors.

2Q18 versus 1Q18

Compared with the previous quarter, net earnings for the quarter were 10% higher at $1.08 billion, led by healthy growth in net interest income and other non-interest income.

Net interest income grew 5% to $1.54 billion. Given the Bank's strong capital and liquidity position, the Group priced competitively for growth resulting in loans increasing 4% and a marginal decline of 1 basis point in net interest margin to 1.83% for the quarter.

Net fee and commission income decreased 4% to $498 million as the growth in credit card and loan-related fees was offset by lower wealth management fees. Other non-interest income rose 24% compared with last quarter, mainly from higher net trading income.

Total expenses increased 4% to $1.02 billion in tandem with income growth, mainly from higher staff and IT-related expenses. The cost-to-income ratio improved to 43.6% due to higher operating income recorded for the quarter.

Total allowances increased to $90 million for the quarter largely driven by higher allowances for non-impaired assets on the back of a higher quarterly loan growth.

Balance sheet and capital position

The Group continued to maintain a strong funding position with a healthy loan-to-deposit ratio of 85.7%. Customer deposits and gross loans both grew strongly to $288 billion and $250 billion respectively as at 30 June 2018.

Total allowances as at 30 June 2018 decreased 3% to $3.93 billion as compared with a year ago mainly due to the reversal of excess general allowance in the last quarter of 2017. The quarter-on-quarter increase of 1% was mainly from allowances for non-impaired assets on a higher asset base. Total allowances for non-impaired assets stood at $2 billion as at 30 June 2018. This amount is above the Minimum Regulatory Loss Allowance under the revised MAS Notice 612 Credit Files, Grading and Provisioning. The coverage for non-performing assets remained stable at 89%, or 190% after taking collateral into account, with the NPL ratio steady at 1.7% as at 30 June 2018.

The average Singapore dollar and all-currency liquidity coverage ratios for 2Q18 were 206% and 142% respectively, well above the corresponding regulatory requirements of 100% and 90%.

The net stable funding ratio was 110% as at 30 June 2018, above the minimum requirement of 100%.

Shareholders' equity increased 9% from a year ago to $37.7 billion from higher retained earnings, the issuance of US$650 million perpetual capital securities and scrip dividend participation.

As at 30 June 2018, the Group's Common Equity Tier 1 Capital Adequacy Ratio increased to 14.5% from 13.8% a year ago primarily due to higher retained earnings. The Group's leverage ratio of 7.7% was more than double the regulatory minimum requirement of 3%.

Net Interest Income

Net interest margin

	1H18			1H17		
	Average balance	**Interest**	**Average rate**	Average balance	Interest	Average rate
	$m	**$m**	**%**	$m	$m	%
Interest bearing assets						
Customer loans	**237,490**	**4,132**	**3.51**	225,751	3,642	3.25
Interbank balances	**67,097**	**692**	**2.08**	54,853	430	1.58
Securities	**26,640**	**359**	**2.72**	27,260	298	2.21
Total	**331,227**	**5,183**	**3.16**	307,864	4,370	2.86
Interest bearing liabilities						
Customer deposits	**278,671**	**1,808**	**1.31**	261,146	1,447	1.12
Interbank balances/others	**38,047**	**363**	**1.92**	36,814	263	1.44
Total	**316,718**	**2,171**	**1.38**	297,960	1,711	1.16
Net interest margin [1]			**1.83**			1.74

	2Q18			2Q17			1Q18		
	Average balance	**Interest**	**Average rate**	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	**$m**	**%**	$m	$m	%	$m	$m	%
Interest bearing assets									
Customer loans	**240,568**	**2,162**	**3.61**	226,216	1,839	3.26	234,379	1,970	3.41
Interbank balances	**69,710**	**381**	**2.19**	58,278	237	1.63	64,455	311	1.96
Securities	**27,463**	**186**	**2.71**	25,376	150	2.37	25,807	173	2.72
Total	**337,741**	**2,729**	**3.24**	309,870	2,225	2.88	324,640	2,454	3.07
Interest bearing liabilities									
Customer deposits	**283,545**	**980**	**1.39**	263,238	736	1.12	273,743	828	1.23
Interbank balances/others	**39,035**	**207**	**2.12**	35,899	134	1.50	37,049	156	1.71
Total	**322,580**	**1,186**	**1.48**	299,138	870	1.17	310,792	984	1.28
Net interest margin [1]			**1.83**			1.75			1.84

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

Net Interest Income *(cont'd)*

Volume and rate analysis

	1H18 vs 1H17			2Q18 vs 2Q17			2Q18 vs 1Q18		
	Volume change	Rate change	Net change	Volume change	Rate change	Net change	Volume change	Rate change	Net change
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Interest income									
Customer loans	189	301	491	117	207	323	52	116	168
Interbank balances	96	166	262	46	98	144	25	40	66
Securities	(7)	67	60	12	24	36	11	(0)	11
Total	278	535	813	175	328	503	88	156	244
Interest expense									
Customer deposits	97	263	360	57	187	244	30	112	141
Interbank balances/others	9	91	100	12	61	73	8	40	48
Total	106	354	460	68	248	317	38	151	189
Change in number of days	-	-	-	-	-	-	-	-	17
Net interest income	173	181	353	107	80	186	50	5	72

The 13% year-on-year increase in net interest income to $3.01 billion was supported by an uplift in net interest margin and broad-based loan growth of 10%. Net interest margin improved 9 basis points to 1.83%, driven by an increase in net loan margin of 7 basis points amid a rising interest rate environment. Active balance sheet management was also a contributor, resulting in a higher blended interbank and securities margin by 24 basis points.

Against the same quarter last year, net interest income grew 14% to $1.54 billion, supported by loan growth of 10% and an improvement in net interest margin by 8 basis points to 1.83%.

Quarter-on-quarter, net interest income increased by 5%. Given the Bank's strong capital and liquidity position, the Group priced competitively for growth resulting in loans increasing 4% and a marginal decline of 1 basis point in net interest margin to 1.83%.

Non-Interest Income

	1H18	1H17	+/(-)	2Q18	2Q17	+/(-)	1Q18	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Net fee and commission income								
Credit card [1]	**207**	189	9	**108**	100	9	99	9
Fund management	**136**	111	23	**68**	57	18	68	(0)
Wealth management	**296**	262	13	**132**	136	(3)	165	(20)
Loan-related [2]	**290**	216	34	**148**	102	46	141	5
Service charges	**73**	72	1	**37**	36	3	36	1
Trade-related [3]	**146**	132	10	**74**	66	11	72	2
Others	**35**	44	(20)	**15**	21	(28)	20	(25)
	1,183	1,026	15	**581**	517	12	602	(3)
Less: Fee and commission expenses[4]	**(168)**	(139)	(20)	**(83)**	(69)	(20)	(84)	2
	1,015	887	15	**498**	448	11	517	(4)
Other non-interest income								
Net trading income	**390**	426	(8)	**215**	164	31	175	23
Net gain from investment securities	**13**	57	(78)	**1**	76	(99)	12	(92)
Dividend income	**21**	18	15	**20**	18	13	1	>100
Rental income	**60**	60	0	**30**	30	0	30	(0)
Other income	**61**	60	2	**36**	23	59	25	41
	546	621	(12)	**302**	310	(3)	244	24
Total	**1,561**	1,508	4	**800**	758	6	761	5

Net fee and commission income increased 15% to $1.02 billion as compared with the first half of last year, attributed to the strong performance in loan-related, wealth management, fund management and credit card fees. Other non-interest income decreased 12% to $546 million, mainly due to lower net trading income from fair value changes on hedges of structural positions in 1Q18 and lower net gain from investment securities.

Compared with the same quarter last year, net fee and commission income rose 11% to $498 million, contributed by broad-based growth in loan-related, fund management, credit card and trade-related fees. Other non-interest income decreased by 3% to $302 million mainly due to lower net gain from investment securities.

Quarter-on-quarter, net fee and commission income decreased 4% as the growth in credit card and loan-related fees was offset by lower wealth management fees. Other non-interest income rose 24% compared with last quarter, mainly from higher net trading income.

Notes:

1 Credit card fees are net of interchange fees paid.

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

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

4 Fee and commission expenses that were directly attributable to the fee and commission income. Certain comparative figures have been restated to conform with current period's presentation.

Operating Expenses

	1H18	1H17	+/(-)	**2Q18**	2Q17	+/(-)	1Q18	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Staff costs	**1,224**	1,073	14	**619**	547	13	606	2
Other operating expenses								
Revenue-related [1]	**292**	284	3	**149**	140	6	144	4
Occupancy-related	**161**	164	(1)	**81**	77	6	80	2
IT-related	**215**	177	21	**112**	99	13	103	9
Others	**116**	114	2	**61**	62	(2)	55	10
	785	739	6	**403**	379	6	381	6
Total	**2,009**	1,812	11	**1,022**	925	10	987	4
Of which,								
Depreciation of assets	**131**	125	6	**68**	59	15	64	6
Manpower (number)	**25,424**	24,680	744	**25,424**	24,680	744	25,288	136

Total expenses increased 11% to $2.01 billion, driven by higher performance-related staff costs and planned IT-related investments as the Group continued to invest in talent and infrastructure to support its digitalisation initiatives and to enhance productivity, product capabilities and customer experience seamlessly across all touchpoints. The cost-to-income ratio for 1H18 rose marginally to 43.9%, reflecting the Group's discipline in cost management.

Compared with the same quarter last year, total expenses for the quarter increased 10% to $1.02 billion, primarily from staff expenses and planned IT investments. The cost-to-income ratio for the quarter stood at 43.6%.

Quarter-on-quarter, total expenses increased 4% in tandem with income growth, mainly from higher staff and IT-related expenses. The cost-to-income ratio improved to 43.6% due to higher operating income recorded for the quarter.

Note:
1 Expenses directly attributable to the fee and commission income are presented net of fee and commission income. Certain comparative figures have been restated to conform with current period's presentation.

Allowances for Credit and Other Losses

	1H18	1H17	+/(-)	2Q18	2Q17	+/(-)	1Q18	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Allowances for non-impaired assets	**18**	(81)	>100	**27**	12	>100	(9)	>100
Allowances for impaired loans [1]	**136**	449	(70)	**64**	172	(62)	71	(10)
Singapore	**19**	268	(93)	**12**	90	(86)	7	76
Malaysia	**1**	77	(99)	**(1)**	16	(>100)	1	(>100)
Thailand	**55**	53	3	**19**	33	(42)	36	(47)
Indonesia	**59**	51	16	**27**	32	(17)	32	(16)
Greater China [2]	**1**	(2)	>100	**(0)**	(2)	96	1	(>100)
Others	**1**	3	(56)	**7**	3	>100	(6)	>100
Allowances for impaired securities and others	**15**	(2)	>100	**(1)**	(4)	87	17	(>100)
Total	**170**	366	(54)	**90**	180	(50)	80	14

Total allowances decreased 54% to $170 million from a year ago, mainly due to the favourable operating environment resulting in a resilient loan portfolio, and lower residual risks from the oil and gas and shipping sectors as compared with prior periods. Credit costs on non-performing loans ("NPL") for 1H18 were 11 basis points.

Compared with same quarter last year, total allowances halved to $90 million in 2Q18 as the prior year's higher allowances were mainly driven by specific allowance set aside for NPLs from the oil and gas and shipping sectors.

Quarter-on-quarter, total allowances increased to $90 million largely driven by higher allowances for non-impaired assets on the back of a higher quarterly loan growth.

Notes:

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

2 Comprise China, Hong Kong and Taiwan.

Customer Loans

	Jun-18	Mar-18	Dec-17	Jun-17
	$m	$m	$m	$m
Gross customer loans	**249,739**	240,788	236,028	227,740
Less: Allowances for non-impaired loans	**1,581**	1,570	1,961	2,620
Allowances for impaired loans	**1,766**	1,771	1,855	1,327
Net customer loans	**246,392**	237,447	232,212	223,792
By industry				
Transport, storage and communication	**9,575**	9,235	9,388	9,487
Building and construction	**57,861**	54,883	53,646	53,063
Manufacturing	**21,809**	19,993	18,615	16,794
Financial institutions, investment and holding companies	**21,558**	19,303	19,090	16,328
General commerce	**31,470**	31,307	30,664	30,145
Professionals and private individuals	**28,851**	28,360	28,182	27,314
Housing loans	**66,983**	66,545	65,569	62,922
Others	**11,633**	11,160	10,874	11,687
Total (gross)	**249,739**	240,788	236,028	227,740
By currency				
Singapore dollar	**118,168**	115,514	115,750	113,610
US dollar	**49,367**	46,402	44,507	42,330
Malaysian ringgit	**25,100**	24,976	24,000	23,270
Thai baht	**14,487**	14,473	14,006	12,946
Indonesian rupiah	**5,044**	4,769	4,853	5,363
Others	**37,572**	34,653	32,912	30,220
Total (gross)	**249,739**	240,788	236,028	227,740
By maturity				
Within 1 year	**104,084**	95,022	92,969	86,002
Over 1 year but within 3 years	**43,553**	43,828	42,828	40,648
Over 3 years but within 5 years	**26,626**	25,673	24,851	28,317
Over 5 years	**75,476**	76,265	75,379	72,773
Total (gross)	**249,739**	240,788	236,028	227,740
By geography [1]				
Singapore	**130,503**	128,559	127,602	125,441
Malaysia	**29,009**	28,771	26,948	26,143
Thailand	**15,685**	15,646	14,977	13,895
Indonesia	**10,892**	10,489	10,718	11,533
Greater China	**38,190**	33,821	32,301	27,903
Others	**25,460**	23,502	23,482	22,825
Total (gross)	**249,739**	240,788	236,028	227,740

As at 30 June 2018, gross loans grew 10% year on year and 4% quarter on quarter to $250 billion, driven by broad-based increase across most territories and industries.

Singapore loans rose 4% from a year ago to $131 billion as at 30 June 2018, while regional countries contributed a strong growth of 18% in the same period.

Note:

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

Non-Performing Assets

	Jun-18	Mar-18	Dec-17	Jun-17
	$m	$m	$m	$m
Loans ("NPL")	**4,208**	4,138	4,211	3,466
Debt securities and others	**196**	185	178	121
Non-performing assets ("NPA")	**4,404**	4,323	4,389	3,587
By grading				
Substandard	**2,467**	2,402	2,411	2,154
Doubtful	**260**	386	128	254
Loss	**1,677**	1,535	1,850	1,179
Total	**4,404**	4,323	4,389	3,587
By security				
Secured by collateral type:				
Properties	**1,896**	1,837	1,771	1,357
Shares and debentures	**7**	7	8	38
Fixed deposits	**15**	13	12	6
Others [1]	**416**	410	467	434
	2,334	2,267	2,258	1,835
Unsecured	**2,070**	2,056	2,131	1,752
Total	**4,404**	4,323	4,389	3,587
By ageing				
Current	**713**	843	936	518
Within 90 days	**400**	456	600	239
Over 90 to 180 days	**422**	577	735	351
Over 180 days	**2,869**	2,447	2,118	2,479
Total	**4,404**	4,323	4,389	3,587
Total allowances				
Non-impaired	**1,998**	1,978	1,976	2,635
Impaired	**1,937**	1,935	2,014	1,427
Total	**3,935**	3,913	3,990	4,062

	NPL	**NPL ratio**	NPL	NPL ratio	NPL	NPL ratio	NPL	NPL ratio
	$m	**%**	$m	%	$m	%	$m	%
NPL by industry								
Transport, storage and communication	**1,131**	**11.8**	1,105	12.0	1,209	12.9	1,000	10.5
Building and construction	**474**	**0.8**	435	0.8	428	0.8	242	0.5
Manufacturing	**589**	**2.7**	564	2.8	638	3.4	358	2.1
Financial institutions, investment and holding companies	**66**	**0.3**	89	0.5	92	0.5	74	0.5
General commerce	**586**	**1.9**	560	1.8	485	1.6	594	2.0
Professionals and private individuals	**296**	**1.0**	289	1.0	295	1.0	283	1.0
Housing loans	**736**	**1.1**	720	1.1	677	1.0	666	1.1
Others	**330**	**2.8**	376	3.4	387	3.6	249	2.1
Total	**4,208**	**1.7**	4,138	1.7	4,211	1.8	3,466	1.5

Note:
1 Comprise mainly marine vessels.

Non-Performing Assets *(cont'd)*

NPL by geography [1]	NPL/NPA $m	NPL ratio %	Allowances for impaired assets $m	Allowances for impaired assets as a % of NPL/NPA %
Singapore				
Jun-18	**1,943**	**1.5**	**821**	**42**
Mar-18	1,918	1.5	828	43
Dec-17	2,058	1.6	934	45
Jun-17	1,369	1.1	608	44
Malaysia				
Jun-18	**623**	**2.1**	**202**	**32**
Mar-18	603	2.1	217	36
Dec-17	585	2.2	220	38
Jun-17	518	2.0	145	28
Thailand				
Jun-18	**482**	**3.1**	**159**	**33**
Mar-18	485	3.1	172	36
Dec-17	439	2.9	157	36
Jun-17	392	2.8	145	37
Indonesia				
Jun-18	**721**	**6.6**	**351**	**49**
Mar-18	692	6.6	327	47
Dec-17	694	6.5	312	45
Jun-17	641	5.6	230	36
Greater China				
Jun-18	**139**	**0.4**	**79**	**57**
Mar-18	150	0.4	76	51
Dec-17	132	0.4	76	58
Jun-17	261	0.9	106	41
Others				
Jun-18	**300**	**1.2**	**154**	**51**
Mar-18	290	1.2	151	52
Dec-17	303	1.3	156	52
Jun-17	285	1.2	93	33
Group NPL				
Jun-18	**4,208**	**1.7**	**1,766**	**42**
Mar-18	4,138	1.7	1,771	43
Dec-17	4,211	1.8	1,855	44
Jun-17	3,466	1.5	1,327	38
Group NPA				
Jun-18	**4,404**		**1,937**	**44**
Mar-18	4,323		1,935	45
Dec-17	4,389		2,014	46
Jun-17	3,587		1,427	40

	Total allowances	
	as a % of NPA	as a % of unsecured NPA
Group	%	%
Jun-18	**89**	**190**
Mar-18	91	190
Dec-17	91	187
Jun-17	113	232

The Group's NPA increased 23% as compared to a year ago mainly due to the accelerated recognition of residual vulnerable exposures in oil and gas and shipping sectors as NPA in the last quarter of 2017. As compared to the previous quarter, the Group's NPA increased 2% to $4.4 billion.

NPL ratio remained at 1.7% as at 30 June 2018, while the coverage for non-performing assets remained adequate at 89%, or 190% after taking collateral into account.

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

Customer Deposits

	Jun-18	Mar-18	Dec-17	Jun-17
	$m	$m	$m	$m
By product				
Fixed deposits	**148,755**	137,922	139,257	136,817
Savings deposits	**69,513**	68,475	66,404	63,059
Current accounts	**56,817**	56,931	57,570	51,945
Others	**12,430**	10,488	9,534	8,099
Total	**287,515**	273,817	272,765	259,920
By maturity				
Within 1 year	**282,021**	269,423	268,233	254,452
Over 1 year but within 3 years	**3,692**	1,978	2,545	3,180
Over 3 years but within 5 years	**1,094**	1,190	1,174	1,145
Over 5 years	**708**	1,226	813	1,142
Total	**287,515**	273,817	272,765	259,920
By currency				
Singapore dollar	**123,671**	121,690	123,806	124,141
US dollar	**75,874**	68,387	67,739	62,530
Malaysian ringgit	**28,649**	27,682	26,475	25,526
Thai baht	**16,383**	16,654	15,317	13,881
Indonesian rupiah	**5,151**	4,635	5,119	5,432
Others	**37,787**	34,769	34,308	28,411
Total	**287,515**	273,817	272,765	259,920
Group Loan/Deposit ratio (%)	**85.7**	86.7	85.1	86.1
Singapore dollar Loan/Deposit ratio (%)	**94.8**	94.2	92.3	89.9
US dollar Loan/Deposit ratio (%)	**63.5**	66.2	63.9	66.5

Customer deposits grew in tandem with loan growth by 11% year on year and 5% quarter on quarter to $288 billion as at 30 June 2018.

As at 30 June 2018, the Group's loan-to-deposit ratio and Singapore dollar loan-to-deposit ratio remained healthy at 85.7% and 94.8% respectively.

Debts Issued

	Jun-18	Mar-18	Dec-17	Jun-17
	$m	$m	$m	$m
Unsecured				
Subordinated debts	**4,833**	4,735	4,827	6,534
Commercial papers	**12,788**	11,818	13,674	13,721
Fixed and floating rate notes	**4,869**	2,576	2,630	2,294
Others	**1,602**	1,590	1,801	1,830
Secured				
Covered bonds	**3,664**	3,689	2,247	2,245
Total	**27,756**	24,409	25,178	26,625
Due within 1 year	**14,499**	13,307	14,807	14,286
Due after 1 year	**13,257**	11,102	10,371	12,338
Total	**27,756**	24,409	25,178	26,625

Shareholders' Equity

	Jun-18	Mar-18	Dec-17	Jun-17
	$m	$m	$m	$m
Shareholders' equity	**37,660**	37,877	36,850	34,652
Add: Revaluation surplus	**4,775**	4,709	4,679	4,528
Shareholders' equity including revaluation surplus	**42,434**	42,586	41,529	39,181

Shareholders' equity increased 9% from a year ago to $37.7 billion as at 30 June 2018 due to higher retained earnings, the issuance of US$650 million perpetual capital securities and scrip dividend participation.

As at 30 June 2018, the revaluation surplus of $4.78 billion relating to the Group's properties, was not recognised in the financial statements.

Changes in Issued Shares of the Bank

	Number of shares			
	1H18	1H17	**2Q18**	2Q17
	'000	'000	**'000**	'000
Ordinary shares				
Balance at beginning of period	**1,671,534**	1,646,966	**1,671,534**	1,646,966
Shares issued under scrip dividend scheme	**9,007**	22,450	**9,007**	22,450
Balance at end of period	**1,680,541**	1,669,416	**1,680,541**	1,669,416
Treasury shares				
Balance at beginning of period	**(8,879)**	(11,274)	**(10,177)**	(11,195)
Shares re-purchased - held in treasury	**(3,731)**	-	**(2,354)**	-
Shares issued under share-based compensation plans	**1,833**	844	**1,754**	765
Balance at end of period	**(10,777)**	(10,430)	**(10,777)**	(10,430)
Ordinary shares net of treasury shares	**1,669,764**	1,658,986	**1,669,764**	1,658,986

Performance by Business Segment

Business segment performance reporting is prepared based on the Group's internal organisation structure and the methodologies adopted in our management reporting framework. Our business segments' results include all applicable revenue, expenses, internal fund transfer price and cost allocations associated with the activities of the business. Transactions between business segments are operated on an arm's length basis in a manner similar to third party transactions and they are eliminated on consolidation.

Following the adoption of SFRS(I) 9 with effect from 1Q18, business segment results now include both allowances for impaired and non-impaired assets as compared to previous year where allowances for non-impaired assets were reported under Others segment.

The Banking Group is organised into three major business segments - Group Retail, Group Wholesale Banking and Global Markets. Others includes non-banking activities and corporate functions.

Group Retail ("GR")
GR segment covers personal and small enterprise customers.

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

Profit before tax increased 4% to $923 million in 1H18 as compared to a year ago. Total income rose 5%, mainly driven by double-digit growth in fee-based income from wealth management and credit cards. Net interest income increased 4% supported by loan and deposit volume growth, partially offset by lower loan margin. Expenses grew 8% to $927 million mainly from investments to support retail franchise growth.

Compared to the same quarter last year, profit before tax grew 3% to $457 million. Total income increased 4% largely supported by net interest income, partially offset by higher staff and revenue-related expenses. Profit before tax declined 2% against the previous quarter. Total income grew 2% as the increase in net interest income was partially offset by lower contribution from fee-based income. Expenses were 5% higher at $474 million.

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.

Compared to a year ago, operating profit in 1H18 rose 11% to $1.48 billion. Net interest income increased 11%, led by healthy volume growth, coupled with margin lift on the back of rising interest rates. Non-interest income grew 13%, largely from loan-related fees, investment banking and treasury. Expenses were 13% higher, primarily from staff and revenue-related expenses. Profit before tax rose 49% to $1.46 billion as credit costs normalised.

Against the same quarter last year, operating profit rose 19% to $772 million. Total income increased 19% to $1.01 billion from broad-based growth in income, partially offset by higher expenses. Compared to the previous quarter, profit before tax grew 4% to $743 million, led by stronger net interest income from loan growth and higher fees. Expenses were 11% higher at $234 million.

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.

Operating profit grew 8% to $145 million in 1H18 as compared to a year ago, attributable to higher trading income and favourable foreign exchange movements. Expenses increased to $127 million primarily from staff and IT-related costs.

As compared to the previous quarter and same quarter last year, operating profit was lower at $65 million as higher contribution from trading income was offset by lower net interest income. Expenses remained relatively flat.

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

Others recorded a loss of $39 million in 1H18 as compared to a net profit of $43 million a year ago, mainly driven by higher operating expenses and reversal of general allowance in the prior period.

Net profit of $10 million was recorded in 2Q18 as compared to a loss of $49 million in the previous quarter and $17 million in the same quarter last year, on the back of higher income from central treasury activities and improvement in share of associates' profits.

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

Selected income statement items	**GR**	**GWB**	**GM**	**Others**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
1H18					
Net interest income	**1,314**	**1,348**	**69**	**281**	**3,012**
Non-interest income	**629**	**579**	**202**	**150**	**1,561**
Operating income	**1,943**	**1,927**	**271**	**431**	**4,573**
Operating expenses	**(927)**	**(445)**	**(127)**	**(510)**	**(2,009)**
Allowances for credit and other losses	**(93)**	**(43)**	**(12)**	**(21)**	**(170)**
Share of profit of associates and joint ventures	**-**	**20**	**-**	**61**	**81**
Profit before tax	**923**	**1,459**	**133**	**(39)**	**2,476**
Tax					**(414)**
Profit for the financial period					**2,061**
Other information:					
Capital expenditure	**27**	**14**	**11**	**182**	**234**
Depreciation of assets	**11**	**5**	**3**	**112**	**131**
1H17					
Net interest income	1,262	1,217	128	52	2,659
Non-interest income	589	514	121	284	1,508
Operating income	1,851	1,731	249	336	4,167
Operating expenses	(859)	(395)	(116)	(442)	(1,812)
Allowances for credit and other losses	(101)	(357)	-	92	(366)
Share of profit of associates and joint ventures	-	0	-	59	59
Profit before tax	891	979	134	43	2,047
Tax					(387)
Profit for the financial period					1,660
Other information:					
Capital expenditure	21	12	5	129	167
Depreciation of assets	11	5	3	106	125

Notes:
1 Operating income is presented net of fee and commission expense. Certain comparative figures have been restated to conform with current period's presentation.
2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

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

Selected income statement items	GR	GWB	GM	Others	Total
	$m	$m	$m	$m	$m
2Q18					
Net interest income	**676**	**715**	**21**	**130**	**1,542**
Non-interest income	**305**	**291**	**107**	**97**	**800**
Operating income	**980**	**1,006**	**129**	**227**	**2,342**
Operating expenses	**(474)**	**(234)**	**(64)**	**(250)**	**(1,022)**
Allowances for credit and other losses	**(49)**	**(48)**	**7**	**1**	**(90)**
Share of profit of associates and joint ventures	**-**	**19**	**-**	**33**	**52**
Profit before tax	**457**	**743**	**72**	**10**	**1,282**
Tax					**(202)**
Profit for the financial period					**1,080**
Other information:					
Capital expenditure	**17**	**11**	**7**	**116**	**151**
Depreciation of assets	**6**	**3**	**2**	**57**	**68**
1Q18					
Net interest income	638	633	48	151	1,470
Non-interest income	325	288	95	53	761
Operating income	963	921	142	204	2,231
Operating expenses	(453)	(211)	(63)	(260)	(987)
Allowances for credit and other losses	(44)	5	(19)	(21)	(80)
Share of profit of associates and joint ventures	-	1	-	28	29
Profit before tax	466	716	60	(49)	1,193
Tax					(212)
Profit for the financial period					981
Other information:					
Capital expenditure	9	4	4	66	83
Depreciation of assets	5	3	2	54	64
2Q17					
Net interest income	637	610	77	33	1,356
Non-interest income	305	238	54	161	758
Operating income	942	848	131	194	2,114
Operating expenses	(440)	(199)	(63)	(223)	(925)
Allowances for credit and other losses	(57)	(111)	-	(12)	(180)
Share of profit of associates and joint ventures	-	1	-	23	24
Profit before tax	445	539	68	(17)	1,033
Tax					(184)
Profit for the financial period					849
Other information:					
Capital expenditure	12	7	2	65	86
Depreciation of assets	6	3	2	48	59

Notes:
1 Operating income is presented net of fee and commission expense. Certain comparative figures have been restated to conform with current period's presentation.
2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

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

Selected balance sheet items	**GR**	**GWB**	**GM**	**Others**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
At 30 June 2018					
Segment assets	**105,832**	**176,198**	**66,116**	**30,726**	**378,873**
Intangible assets	**1,315**	**2,084**	**659**	**81**	**4,138**
Investment in associates and joint ventures	**-**	**163**	**-**	**1,089**	**1,252**
Total assets	**107,147**	**178,445**	**66,775**	**31,895**	**384,263**
Segment liabilities	**138,456**	**154,421**	**42,951**	**10,586**	**346,413**
Other information:					
Gross customer loans	**105,875**	**143,238**	**605**	**21**	**249,739**
Non-performing assets	**1,215**	**3,160**	**8**	**21**	**4,404**
At 31 March 2018					
Segment assets	104,891	164,221	58,721	31,271	359,103
Intangible assets	1,315	2,085	659	81	4,140
Investment in associates and joint ventures	-	129	-	1,084	1,212
Total assets	106,206	166,435	59,380	32,435	364,455
Segment liabilities	136,782	142,105	38,198	9,306	326,390
Other information:					
Gross customer loans	104,887	135,337	538	26	240,788
Non-performing assets	1,196	3,092	35	-	4,323
At 30 June 2017					
Segment assets	100,017	152,682	57,063	29,352	339,114
Intangible assets	1,318	2,088	660	81	4,147
Investment in associates and joint ventures	-	93	-	1,061	1,154
Total assets	101,334	154,863	57,723	30,494	344,414
Segment liabilities	130,601	135,271	30,316	13,396	309,584
Other information:					
Gross customer loans	99,841	127,742	157	(0)	227,740
Non-performing assets	1,132	2,439	16	-	3,587

Notes:
1 Operating income is presented net of fee and commission expense. Certain comparative figures have been restated to conform with current period's presentation.
2 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

Performance by Geographical Segment [1]

	1H18	1H17	2Q18	2Q17	1Q18
	$m	$m	**$m**	$m	$m
Total operating income					
Singapore	**2,596**	2,390	**1,342**	1,231	1,254
Malaysia	**528**	480	**258**	241	270
Thailand	**468**	413	**234**	215	233
Indonesia	**217**	235	**110**	119	107
Greater China	**442**	366	**231**	171	212
Others	**322**	282	**167**	136	155
Total	**4,573**	4,167	**2,342**	2,114	2,231
Profit before tax					
Singapore	**1,449**	1,148	**770**	597	679
Malaysia	**304**	308	**145**	154	159
Thailand	**137**	97	**60**	57	77
Indonesia	**51**	44	**11**	21	40
Greater China	**242**	214	**124**	98	118
Others	**292**	235	**172**	107	120
Total	**2,476**	2,047	**1,282**	1,033	1,193

For 1H18, total operating income rose 10% to $4.57 billion as compared to 1H17, led by broad-based growth across most of the geographical segments. Profit before tax also registered a strong growth of 21% to $2.48 billion over the same period last year, on the back of strong performance and lower allowances in a benign credit environment.

Compared with the same quarter last year, profit before tax rose 24% to $1.28 billion, led by strong overall operating income and lower allowances.

Quarter-on-quarter, total operating income increased 5% to $2.34 billion and profit before tax increased 7% to $1.28 billion, mainly contributed by growth in Singapore.

	Jun-18	Mar-18	Dec-17	Jun-17
	$m	$m	$m	$m
Total assets				
Singapore	**225,965**	214,936	217,979	211,025
Malaysia	**40,110**	38,891	35,373	35,335
Thailand	**21,365**	21,977	20,988	18,595
Indonesia	**8,666**	8,518	9,105	9,546
Greater China	**55,229**	50,590	46,298	39,816
Others	**28,790**	25,405	24,707	25,950
	380,125	360,315	354,450	340,268
Intangible assets	**4,138**	4,140	4,142	4,147
Total	**384,263**	364,455	358,592	344,414

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

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

	Jun-18	Mar-18	Dec-17	Jun-17
	$m	$m	$m	$m
Share capital	**4,993**	4,755	4,792	4,711
Disclosed reserves/others	**29,530**	29,983	28,922	27,696
Regulatory adjustments	**(4,602)**	(4,532)	(3,580)	(3,586)
Common Equity Tier 1 Capital ("CET1")	**29,921**	30,206	30,134	28,821
Perpetual capital securities/others	**2,976**	2,976	2,976	2,096
Regulatory adjustments	**-**	-	(890)	(891)
Additional Tier 1 Capital ("AT1")	**2,976**	2,976	2,086	1,205
Tier 1 Capital	**32,897**	33,182	32,220	30,026
Subordinated notes	**4,150**	4,046	4,150	6,158
Provisions/others	**755**	758	983	1,113
Regulatory adjustments	**-**	-	(5)	(5)
Tier 2 Capital	**4,905**	4,804	5,128	7,266
Eligible Total Capital	**37,803**	37,986	37,348	37,292
Risk-Weighted Assets ("RWA")	**205,704**	202,286	199,481	209,276
Capital Adequacy Ratios ("CAR")				
CET1	**14.5%**	14.9%	15.1%	13.8%
Tier 1	**16.0%**	16.4%	16.2%	14.3%
Total	**18.4%**	18.8%	18.7%	17.8%
Fully-loaded CET1 (fully phased-in per Basel III rules)	**14.5%**	14.9%	14.7%	13.3%
Leverage Exposure	**428,845**	406,608	400,803	385,816
Leverage Ratio	**7.7%**	8.2%	8.0%	7.8%

The Group's CET1, Tier 1 and Total CAR as at 30 June 2018 were well above the regulatory minimum requirements.

Year-on-year, total capital was higher mainly from retained earnings and the issuance of AT1 capital instruments, partly offset by redemption of old-style Tier-2 subordinated notes. RWA was lower, largely due to enhancements in RWA computation methodology, partly offset by asset growth.

Total capital was lower quarter on quarter, mainly due to payment of dividends, partially offset by quarter earnings and shares issued pursuant to the scrip dividend scheme. The higher RWA was mainly due to asset growth.

As at 30 June 2018, the Group's leverage ratio was 7.7%, above the regulatory minimum.

Notes:

1 Singapore-incorporated banks are required to maintain minimum CAR as follows: CET1 at 6.5%, Tier 1 at 8% and Total at 10%. In addition, with the phased-in implementation of the capital conservation buffer (CCB) and the countercyclical capital buffer (CCyB) commencing 1 January 2016, the Group is required to maintain CET1 capital to meet CCB of 1.875% and CCyB (computed as the weighted average of effective CCyB in jurisdictions to which the Group has private sector exposures) of up to 1.875% for the year 2018. With effect from 1 January 2018, all regulatory adjustments are fully phased-in, i.e., CET1 CAR is reported on fully-loaded basis.

2 Leverage ratio is calculated in accordance with MAS Notice 637. A minimum ratio of 3% is required effective 1 January 2018.

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

Consolidated Income Statement (Unaudited)

	1H18	1H17	+/(-)	**2Q18**	2Q17	+/(-)	1Q18	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Interest income [1]	**5,183**	4,370	19	**2,729**	2,225	23	2,454	11
Less: Interest expense	**2,171**	1,711	27	**1,186**	870	36	984	21
Net interest income	**3,012**	2,659	13	**1,542**	1,356	14	1,470	5
Net fee and commission income	**1,015**	887	15	**498**	448	11	517	(4)
Dividend income	**21**	18	15	**20**	18	13	1	>100
Rental income	**60**	60	0	**30**	30	0	30	(0)
Net trading income	**390**	426	(8)	**215**	164	31	175	23
Net gain from investment securities	**13**	57	(78)	**1**	76	(99)	12	(92)
Other income	**61**	60	2	**36**	23	59	25	41
Non-interest income	**1,561**	1,508	4	**800**	758	6	761	5
Total operating income	**4,573**	4,167	10	**2,342**	2,114	11	2,231	5
Less: Staff costs	**1,224**	1,073	14	**619**	547	13	606	2
Other operating expenses	**785**	739	6	**403**	379	6	381	6
Total operating expenses	**2,009**	1,812	11	**1,022**	925	10	987	4
Operating profit before allowance	**2,564**	2,355	9	**1,320**	1,189	11	1,244	6
Less: Allowances for credit and other losses	**170**	366	(54)	**90**	180	(50)	80	14
Operating profit after allowance	**2,394**	1,988	20	**1,230**	1,009	22	1,164	6
Share of profit of associates and joint ventures	**81**	59	38	**52**	24	>100	29	81
Profit before tax	**2,476**	2,047	21	**1,282**	1,033	24	1,193	7
Less: Tax	**414**	387	7	**202**	184	10	212	(5)
Profit for the financial period	**2,061**	1,660	24	**1,080**	849	27	981	10
Attributable to:								
Equity holders of the Bank	**2,055**	1,652	24	**1,077**	845	28	978	10
Non-controlling interests	**7**	8	(12)	**4**	4	(18)	3	6
	2,061	1,660	24	**1,080**	849	27	981	10

1 Included interest income on financial assets at fair value through profit or loss of $34 million, $37 million and $29 million for 2Q17, 1Q18 and 2Q18 respectively.

Consolidated Statement of Comprehensive Income (Unaudited)

	1H18	1H17	+/(-)	**2Q18**	2Q17	+/(-)	1Q18	+/(-)
	$m	$m	%	**$m**	$m	%	$m	%
Profit for the financial period	**2,061**	1,660	24	**1,080**	849	27	981	10
Other comprehensive income that will not be reclassified to the income statement								
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	**(137)**	-	NM	**(244)**	-	NM	107	(>100)
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**49**	-	NM	**24**	-	NM	25	(7)
Remeasurement of defined benefit obligation	**0**	(0)	>100	**0**	(0)	>100	-	NM
Related tax on above items	**(15)**	-	NM	**5**	-	NM	(19)	>100
	(103)	(0)	(>100)	**(215)**	**(0)**	(>100)	113	(>100)
Other comprehensive income that will be reclassified to the income statement								
Currency translation adjustments	**52**	(119)	>100	**(84)**	12	(>100)	136	(>100)
Debt instruments at fair value through other comprehensive income								
Change in fair value	**(264)**	-	NM	**(97)**	-	NM	(167)	42
Transfer to income statement on disposal	**21**	-	NM	**4**	-	NM	17	(79)
Changes in allowance for expected credit losses	**1**	-	NM	**3**	-	NM	(1)	>100
Related tax	**15**	-	NM	**10**	-	NM	4	>100
Available-for-sale financial assets								
Change in fair value	**-**	461	NM	**-**	282	NM	-	-
Transfer to income statement on disposal/impairment	**-**	(26)	NM	**-**	(59)	NM	-	-
Related tax	**-**	(26)	NM	**-**	(15)	NM	-	-
	(176)	289	(>100)	**(164)**	220	(>100)	(12)	(>100)
Change in shares of other comprehensive income of associates and joint ventures	**(8)**	3	(>100)	**(0)**	1	(>100)	(7)	95
Other comprehensive income for the financial period, net of tax	**(286)**	293	(>100)	**(380)**	221	(>100)	94	(>100)
Total comprehensive income for the financial period, net of tax	**1,775**	1,952	(9)	**700**	1,069	(35)	1,075	(35)
Attributable to:								
Equity holders of the Bank	**1,769**	1,938	(9)	**697**	1,062	(34)	1,072	(35)
Non-controlling interests	**6**	14	(55)	**4**	7	(49)	3	29
	1,775	1,952	(9)	**700**	1,069	(35)	1,075	(35)

Consolidated Balance Sheet (Unaudited)

	Jun-18	Mar-18	Dec-17[1]	Jun-17
	$m	$m	$m	$m
Equity				
Share capital and other capital	**7,967**	7,729	7,766	6,805
Retained earnings	**20,681**	20,726	19,707	18,367
Other reserves	**9,011**	9,423	9,377	9,480
Equity attributable to equity holders of the Bank	**37,660**	37,877	36,850	34,652
Non-controlling interests	**190**	188	187	178
Total	**37,850**	38,065	37,037	34,830
Liabilities				
Deposits and balances of banks	**17,161**	14,004	11,440	11,660
Deposits and balances of customers	**287,515**	273,817	272,765	259,920
Bills and drafts payable	**873**	1,151	702	796
Other liabilities	**13,108**	13,008	11,469	10,583
Debts issued	**27,756**	24,409	25,178	26,625
Total	**346,413**	326,390	321,556	309,584
Total equity and liabilities	**384,263**	364,455	358,592	344,414
Assets				
Cash, balances and placements with central banks	**29,450**	27,401	26,625	27,387
Singapore Government treasury bills and securities	**5,864**	5,352	4,267	3,527
Other government treasury bills and securities	**11,066**	11,224	11,709	10,290
Trading securities	**2,174**	1,948	1,766	1,741
Placements and balances with banks	**57,929**	49,679	52,181	48,032
Loans to customers	**246,392**	237,447	232,212	223,792
Investment securities	**11,784**	11,458	11,273	11,448
Other assets	**11,053**	11,504	10,164	9,884
Investment in associates and joint ventures	**1,252**	1,212	1,194	1,154
Investment properties	**1,046**	1,041	1,088	1,051
Fixed assets	**2,114**	2,050	1,971	1,962
Intangible assets	**4,138**	4,140	4,142	4,147
Total	**384,263**	364,455	358,592	344,414
Off-balance sheet items				
Contingent liabilities	**30,998**	28,596	26,415	23,130
Financial derivatives	**1,001,268**	1,022,489	961,880	910,246
Commitments	**140,924**	135,106	136,664	137,264
Net asset value per ordinary share ($)	**20.77**	21.01	20.37	19.63

Note:

1 Audited.

Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to equity holders of the Bank					
	Share capital and other capital	**Retained earnings**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Balance at 1 January 2018	**7,766**	**19,707**	**9,377**	**36,850**	**187**	**37,037**
Impact of adopting SFRS(I) 9	**-**	**62**	**(59)**	**3**	**(1)**	**2**
Restated opening balance under SFRS(I) 9	**7,766**	**19,769**	**9,318**	**36,853**	**185**	**37,039**
Profit for the financial period	**-**	**2,055**	**-**	**2,055**	**7**	**2,061**
Other comprehensive income for the financial period	**-**	**0**	**(285)**	**(285)**	**(0)**	**(286)**
Total comprehensive income for the financial period	**-**	**2,055**	**(285)**	**1,769**	**6**	**1,775**
Reclassification of net change in fair value on equity instruments upon derecognition	**-**	**0**	**(0)**	**-**	**-**	**-**
Reclassification of own credit reserve upon derecognition	**-**	**(0)**	**0**	**-**	**-**	**-**
Transfers	**-**	**1**	**(1)**	**-**	**-**	**-**
Change in non-controlling interests	**-**	**-**	**-**	**-**	**4**	**4**
Dividends	**-**	**(1,144)**	**-**	**(1,144)**	**(6)**	**(1,150)**
Shares re-purchased - held in treasury	**(105)**	**-**	**-**	**(105)**	**-**	**(105)**
Shares issued under scrip dividend scheme	**267**	**-**	**-**	**267**	**-**	**267**
Share-based compensation	**-**	**-**	**19**	**19**	**-**	**19**
Shares issued under share-based compensation plans	**39**	**-**	**(39)**	**-**	**-**	**-**
Balance at 30 June 2018	**7,967**	**20,681**	**9,011**	**37,660**	**190**	**37,850**
Balance at 1 January 2017	6,351	17,334	9,189	32,873	169	33,042
Profit for the financial period	-	1,652	-	1,652	8	1,660
Other comprehensive income for the financial period	-	(0)	286	286	6	293
Total comprehensive income for the financial period	-	1,652	286	1,938	14	1,952
Transfers	-	2	(2)	-	-	-
Dividends	-	(620)	-	(620)	(4)	(625)
Shares issued under scrip dividend scheme	438	-	-	438	-	438
Share-based compensation	-	-	23	23	-	23
Shares issued under share-based compensation plans	17	-	(17)	-	-	-
Balance at 30 June 2017	6,805	18,367	9,480	34,652	178	34,830

Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to equity holders of the Bank					
	Share capital and other capital	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m
Balance at 1 April 2018	**7,729**	**20,726**	**9,423**	**37,877**	**188**	**38,065**
Profit for the financial period	-	**1,077**	**-**	**1,077**	**4**	**1,080**
Other comprehensive income for the financial period	**-**	**0**	**(380)**	**(380)**	**0**	**(380)**
Total comprehensive income for the financial period	**-**	**1,077**	**(380)**	**697**	**4**	**700**
Reclassification of net change in fair value on equity instruments upon derecognition	**-**	**0**	**(0)**	**-**	**-**	**-**
Reclassification of own credit reserve upon derecognition	**-**	**(0)**	**0**	**-**	**-**	**-**
Transfers	**-**	**1**	**(1)**	**-**	**-**	**-**
Change in non-controlling interests	**-**	**-**	**-**	**-**	**4**	**4**
Dividends	**-**	**(1,123)**	**-**	**(1,123)**	**(5)**	**(1,128)**
Shares re-purchased - held in treasury	**(66)**	**-**	**-**	**(66)**	**-**	**(66)**
Shares issued under scrip dividend scheme	**267**	**-**	**-**	**267**	**-**	**267**
Share-based compensation	**-**	**-**	**7**	**7**	**-**	**7**
Shares issued under share-based compensation plans	**37**	**-**	**(37)**	**-**	**-**	**-**
Balance at 30 June 2018	**7,967**	**20,681**	**9,011**	**37,660**	**190**	**37,850**
Balance at 1 April 2017	6,353	18,120	9,266	33,739	175	33,914
Profit for the financial period	-	845	-	845	4	849
Other comprehensive income for the financial period	-	(0)	218	218	3	221
Total comprehensive income for the financial period	-	845	218	1,062	7	1,069
Transfers	-	2	(2)	-	-	-
Dividends	-	(599)	-	(599)	(4)	(603)
Shares issued under scrip dividend scheme	438	-	-	438	-	438
Share-based compensation	-	-	13	13	-	13
Shares issued under share-based compensation plans	15	-	(15)	-	-	-
Balance at 30 June 2017	6,805	18,367	9,480	34,652	178	34,830

Consolidated Cash Flow Statement (Unaudited)

	1H18	1H17	2Q18	2Q17
	$m	$m	$m	$m
Cash flows from operating activities				
Profit for the financial period	**2,061**	1,660	**1,080**	849
Adjustments for:				
Allowances for credit and other losses	**170**	366	**90**	180
Share of profit of associates and joint ventures	**(81)**	(59)	**(52)**	(24)
Tax	**414**	387	**202**	184
Depreciation of assets	**131**	125	**68**	59
Net loss/(gain) on disposal of assets	**7**	(108)	**2**	(93)
Share-based compensation	**19**	23	**7**	13
Operating profit before working capital changes	**2,722**	2,394	**1,398**	1,167
Change in working capital:				
Deposits and balances of banks	**5,705**	(195)	**3,065**	434
Deposits and balances of customers	**14,177**	4,606	**13,747**	247
Bills and drafts payable	**166**	274	**(275)**	275
Other liabilities	**1,174**	(2,542)	**(628)**	(363)
Restricted balances with central banks	**129**	20	**161**	(257)
Government treasury bills and securities	**(931)**	3,682	**(328)**	3,265
Trading securities	**(396)**	1,434	**(225)**	839
Placements and balances with banks	**(5,602)**	(7,999)	**(8,175)**	(5,184)
Loans to customers	**(13,512)**	(2,426)	**(8,467)**	1,131
Investment securities	**(844)**	694	**(646)**	(49)
Other assets	**(947)**	3,423	**476**	(36)
Cash generated from operations	**1,841**	3,365	**103**	1,469
Income tax paid	**(318)**	(324)	**(299)**	(263)
Net cash provided by/(used in) operating activities	**1,523**	3,041	**(196)**	1,206
Cash flows from investing activities				
Capital injection into associates and joint ventures	**(19)**	(15)	**(11)**	(6)
Acquisition of associates and joint ventures	**-**	(0)	**-**	(0)
Distribution from associates and joint ventures	**31**	19	**23**	18
Acquisition of properties and other fixed assets	**(234)**	(167)	**(151)**	(86)
Proceeds from disposal of properties and other fixed assets	**12**	11	**12**	-
Change in non-controlling interests	**4**	-	**4**	-
Net cash used in investing activities	**(205)**	(153)	**(123)**	(74)
Cash flows from financing activities				
Issuance of debts issued	**23,866**	22,931	**11,269**	11,206
Redemption of debts issued	**(21,247)**	(22,212)	**(8,164)**	(10,711)
Shares re-purchased - held in treasury	**(105)**	-	**(66)**	-
Dividends paid on ordinary shares	**(812)**	(135)	**(812)**	(135)
Distribution for perpetual capital securities	**(64)**	(48)	**(43)**	(27)
Dividends paid to non-controlling interests	**(6)**	(4)	**(5)**	(4)
Net cash provided by financing activities	**1,632**	532	**2,177**	330
Currency translation adjustments	**(28)**	(335)	**363**	24
Net increase in cash and cash equivalents	**2,923**	3,085	**2,222**	1,486
Cash and cash equivalents at beginning of the financial period	**20,975**	18,401	**21,676**	20,000
Cash and cash equivalents at end of the financial period	**23,898**	21,486	**23,898**	21,486

Balance Sheet of the Bank (Unaudited)

	Jun-18	Mar-18	Dec-17[1]	Jun-17
	$m	$m	$m	$m
Equity				
Share capital and other capital	**7,967**	7,729	7,766	6,805
Retained earnings	**15,489**	15,545	14,701	13,849
Other reserves	**9,685**	9,977	10,045	9,970
Total	**33,140**	33,251	32,512	30,624
Liabilities				
Deposits and balances of banks	**16,107**	12,615	10,870	10,524
Deposits and balances of customers	**224,804**	213,792	215,212	202,584
Deposits and balances of subsidiaries	**11,159**	9,646	6,505	9,420
Bills and drafts payable	**564**	849	492	578
Other liabilities	**8,952**	7,826	7,434	7,295
Debts issued	**26,248**	23,128	23,890	25,602
Total	**287,834**	267,857	264,404	256,004
Total equity and liabilities	**320,974**	301,107	296,916	286,628
Assets				
Cash, balances and placements with central banks	**24,445**	20,940	19,960	21,406
Singapore Government treasury bills and securities	**5,864**	5,352	4,267	3,527
Other government treasury bills and securities	**5,105**	6,397	6,236	4,202
Trading securities	**1,951**	1,779	1,502	1,539
Placements and balances with banks	**45,767**	37,871	42,772	39,020
Loans to customers	**191,934**	183,967	180,521	173,632
Placements with and advances to subsidiaries	**15,652**	15,522	12,485	13,293
Investment securities	**10,575**	10,294	10,495	10,775
Other assets	**7,575**	7,151	6,878	7,426
Investment in associates and joint ventures	**345**	338	338	335
Investment in subsidiaries	**5,912**	5,709	5,744	5,791
Investment properties	**1,102**	1,108	1,119	1,146
Fixed assets	**1,565**	1,499	1,417	1,355
Intangible assets	**3,182**	3,182	3,182	3,182
Total	**320,974**	301,107	296,916	286,628
Off-balance sheet items				
Contingent liabilities	**20,467**	18,082	17,500	14,719
Financial derivatives	**826,681**	860,899	788,002	805,422
Commitments	**115,270**	109,499	114,167	114,812
Net asset value per ordinary share ($)	**18.07**	18.22	17.77	17.20

Note:
1 Audited.

Statement of Changes in Equity of the Bank (Unaudited)

	Share capital and other capital	Retained earnings	Other reserves	Total equity
	$m	$m	$m	$m
Balance at 1 January 2018	**7,766**	**14,701**	**10,045**	**32,512**
Impact of adopting SFRS(I) 9	**-**	**93**	**(34)**	**59**
Restated opening balance under SFRS(I) 9	**7,766**	**14,794**	**10,011**	**32,571**
Profit for the financial period	**-**	**1,837**	**-**	**1,837**
Other comprehensive income for the financial period	**-**	**0**	**(305)**	**(305)**
Total comprehensive income for the financial period	**-**	**1,837**	**(305)**	**1,532**
Reclassification of net change in fair value on equity instruments upon derecognition	**-**	**0**	**(0)**	**-**
Reclassification of own credit reserve upon derecognition	**-**	**(0)**	**0**	**-**
Transfers	**-**	**1**	**(1)**	**-**
Dividends	**-**	**(1,144)**	**-**	**(1,144)**
Share buyback - held in treasury	**(105)**	**-**	**-**	**(105)**
Shares issued under scrip dividend scheme	**267**	**-**	**-**	**267**
Share-based compensation	**-**	**-**	**19**	**19**
Shares issued under share-based compensation plans	**39**	**-**	**(39)**	**-**
Balance at 30 June 2018	**7,967**	**15,489**	**9,685**	**33,140**
Balance at 1 January 2017	6,351	13,031	9,625	29,007
Profit for the financial period	-	1,436	-	1,436
Other comprehensive income for the financial period	-	-	340	340
Total comprehensive income for the financial period	-	1,436	340	1,776
Transfers	-	2	(2)	-
Dividends	-	(620)	-	(620)
Shares issued under scrip dividend scheme	438	-	-	438
Share-based compensation	-	-	23	23
Shares issued under share-based compensation plans	17	-	(17)	-
Balance at 30 June 2017	6,805	13,849	9,970	30,624

Statement of Changes in Equity of the Bank (Unaudited)

	Share capital and other capital $m	Retained earnings $m	Other reserves $m	Total equity $m
Balance at 1 April 2018	**7,729**	**15,545**	**9,977**	**33,251**
Profit for the financial period	**-**	**1,065**	**-**	**1,065**
Other comprehensive income for the financial period	**-**	**0**	**(261)**	**(261)**
Total comprehensive income for the financial period	**-**	**1,065**	**(261)**	**804**
Reclassification of net change in fair value on equity instruments upon derecognition	**-**	**0**	**(0)**	**-**
Reclassification of own credit reserve upon derecognition	**-**	**(0)**	**0**	**-**
Transfers	**-**	**1**	**(1)**	**-**
Dividends	**-**	**(1,123)**	**-**	**(1,123)**
Share buyback - held in treasury	**(66)**	**-**	**-**	**(66)**
Shares issued under scrip dividend scheme	**267**	**-**	**-**	**267**
Share-based compensation	**-**	**-**	**7**	**7**
Shares issued under share-based compensation plans	**37**	**-**	**(37)**	**-**
Balance at 30 June 2018	**7,967**	**15,489**	**9,685**	**33,140**
Balance at 1 April 2017	6,353	13,664	9,804	29,820
Profit for the financial period	-	781	-	781
Other comprehensive income for the financial period	-	-	171	171
Total comprehensive income for the financial period	-	781	171	953
Transfers	-	2	(2)	-
Dividends	-	(599)	-	(599)
Share-based compensation	-	-	13	13
Shares issued under scrip dividend scheme	438	-	-	438
Shares issued under share-based compensation plans	15	-	(15)	-
Balance at 30 June 2017	6,805	13,849	9,970	30,624

Capital Adequacy Ratios of Major Bank Subsidiaries

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

	Jun-18			
	Total Risk-Weighted Assets	Capital Adequacy Ratios		
		CET1	Tier 1	Total
	$m	%	%	%
United Overseas Bank (Malaysia) Bhd	**19,137**	**15.0**	**15.0**	**18.1**
United Overseas Bank (Thai) Public Company Limited	**12,966**	**16.0**	**16.0**	**18.5**
PT Bank UOB Indonesia	**7,635**	**13.7**	**13.7**	**16.1**
United Overseas Bank (China) Limited	**9,460**	**14.7**	**14.7**	**15.8**