



UNITED OVERSEAS BANK LIMITED

Annual Report 2015



Room

Isabelle Soh Min Hui

About This Report

At United Overseas Bank Limited (UOB), we recognise that transparency is key to stakeholder engagement and the reporting of both financial and non-financial performance allows us to communicate how we create value for all of our stakeholders.

This is why we have intended for the UOB Annual Report 2015 to show the connectivity and interdependencies present across our organisation, in accordance with the tenets of the International Integrated Reporting Council's Integrated Reporting Framework.

This report and more information on UOB are available on www.uobgroup.com/AR2015.

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Room

by Isabelle Soh Min Hui
Oil and acrylic
76.0 x 102.0 cm

Ms Isabelle Soh Min Hui's *Room* is the design inspiration for the cover of this year's Annual Report. The painting received the Gold Award for the Emerging Artist Category in the 2015 UOB Painting of the Year (Singapore) Competition. It is inspired by Ms Soh's philosophy that "a room is not a room until you make it one".

The artist creates a surreal world that defies the physical confines of a room. It compels the viewer to leave the predictable behind and to push beyond the boundaries of one's imagination. In not allowing the mind to be boxed in, we leave the door open for new possibilities.

The UOB Painting of the Year Competition, now in its 34th year, promotes awareness and appreciation of art, and challenges artists to produce works that inspire audiences across Southeast Asia.



About United Overseas Bank Limited

Who We Are

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 branches and offices in 19 countries and territories in Asia Pacific, Europe and North America. In Asia, we operate through our head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia and Thailand, as well as branches and offices.

In 1935, amid the economic uncertainties following the Great Depression, UOB opened its doors to offer banking services for the merchant community in Singapore.

Since then, UOB has grown organically and through a series of strategic acquisitions. Today, UOB is rated among the world's top banks: 'Aa1' by Moody's and 'AA-' by Standard & Poor's and Fitch Ratings.

What We Do

UOB provides a wide range of financial services globally through our three business segments – Group Retail, Group Wholesale Banking, and Global Markets and Investment Management. Our offering includes personal financial services, private banking,

Generations of UOB employees for the past 80 years have carried through the entrepreneurial spirit, focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

At UOB, we believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate.

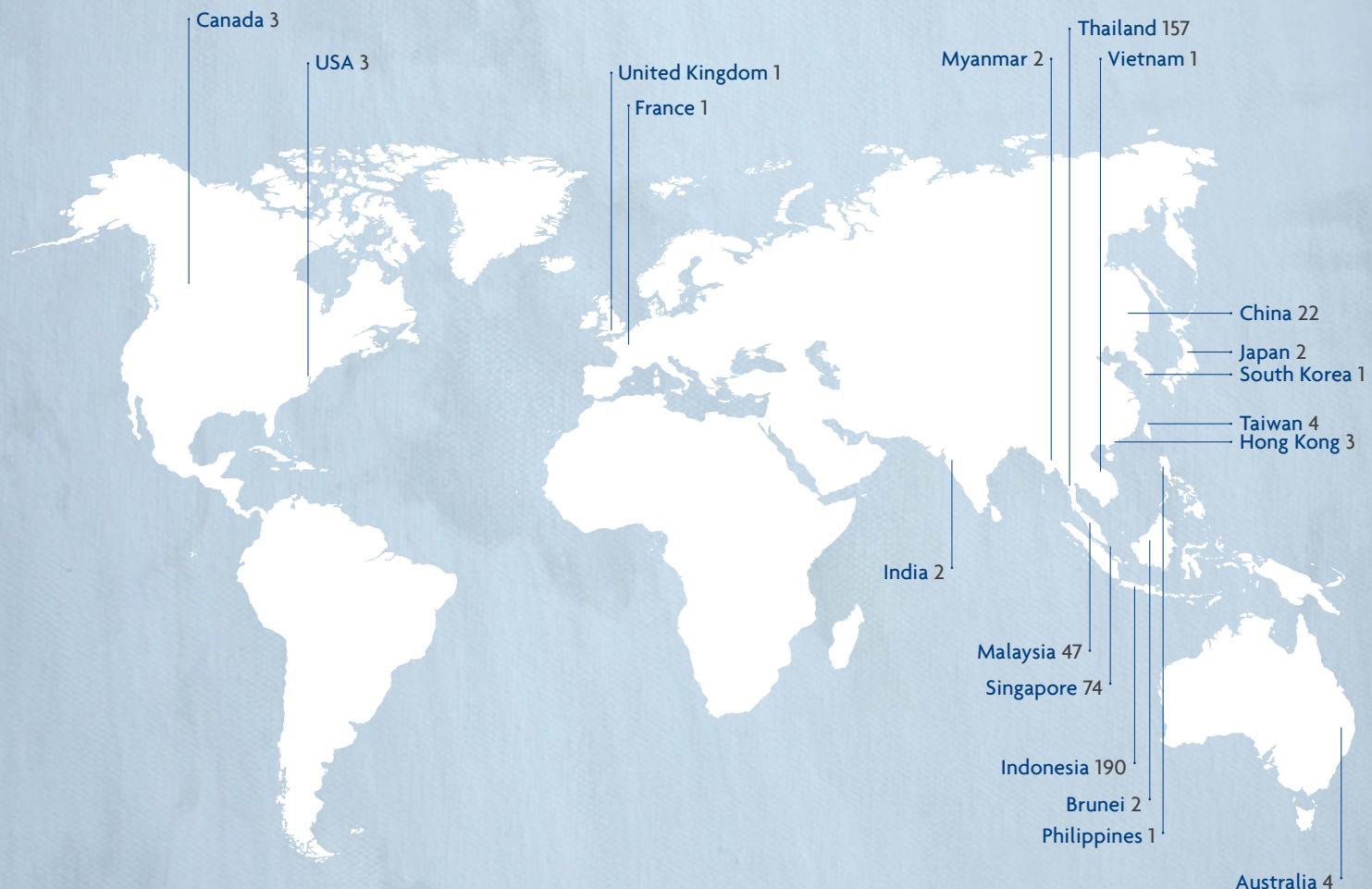
Just as we are dedicated to helping our customers manage their finances wisely and grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, brokerage and clearing services, asset management, venture capital management and insurance.

Where We Operate

>500 branches
and offices

Asia Pacific, Europe
and North America



Our Story Over 80 Years

Since 1935, our entrepreneurial spirit, focus on long-term value creation, and unwavering commitment to do what is right for our customers, have made UOB a leading bank in Asia. Our timeline captures the corporate milestones of our 80-year history.



Our Beginning

1935

Amid the uncertainties of the Great Depression, a group of seven businessmen led by Datuk Wee Kheng Chiang (first row, fifth from left) founded a bank to serve the merchant community in Singapore.

► 1930s

1960s

1970s - 1990s

1935 (6 August)

United Chinese Bank (UCB) is incorporated



1935 (1 October)

UCB begins operations at Bonham building



1956

Introduces coin banks for children

1958

Drives 1st mobile branch

1959

Opens 1st UCB branch at Beach Road

1962

1st bank to focus on women as customers

1965

UCB is renamed United Overseas Bank



Opens 1st overseas branch in Hong Kong

1971

Acquires majority stake in Chung Khiaw Bank (CKB)

Opens Tokyo Branch

Reveals iconic five-bar logo

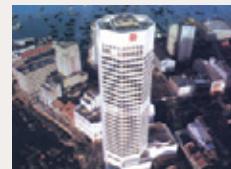


1973

Acquires Lee Wah Bank

1974

UOB Group begins operating from its new 30-storey building which stood on the same site as Bonham Building (the current UOB Plaza 2)



1975

Opens London branch

1977

Opens New York agency

1978

UOB Bullion Limited commences operations and introduces Gold Certificates

1980

Opens Singapore's 1st ATM offering 24-hour banking

Opens Los Angeles agency

1982

Holds inaugural UOB Painting of the Year competition



1983

Opens Seoul representative office

1984

Opens Beijing representative office

Acquires majority interest in Far Eastern Bank

1985

Expands into Sydney and Xiamen

1986

Expands into Vancouver

1987

Acquires majority interest in Industrial & Commercial Bank

1988

1st local bank to launch Visa cards



1st bank to launch Singapore's only credit card for ladies

1992

1st Singapore bank to set up office in Vietnam
Sets up Taipei representative office

1993

1st bank in Singapore to launch automated Cash Deposit Machine



Source: Singapore Business Times © Singapore Press Holdings Limited. Reprinted with permission.

2007

Launches 1st UOB Heartbeat Run/Walk



2009

Opens Mumbai branch

2010

Merges PT Bank UOB Indonesia with PT Bank UOB Buana

2011

1st bank in Singapore to establish a Foreign Direct Investment Advisory Unit to support our clients' regional expansion



2015

Receives Distinguished Patron of the Arts Award for 11th consecutive year and SG50 Arts Patron Award

Opens the UOB Southeast Asia Gallery at National Gallery Singapore which houses the world's largest collection of modern Southeast Asian art



Introduces UOB Mighty – 1st mobile app outside of the US to enable contactless payments with tokenised security



2000s - 2010s

2015 ▶

1994

Expands into Yangon

1995

Celebrates 60th anniversary and official opening of UOB Plaza 1



1997

UOB Malaysia merges with CKB Malaysia

1998

Opens Shanghai branch

1999

Acquires Westmont Bank in the Philippines
Acquires Radanasin Bank in Thailand

2001

Acquires Overseas Union Bank

2004

Acquires 96.1% in Bank of Asia Public Company in Thailand

2005

Increases controlling stake of PT Bank Buana in Indonesia to 61.1%

2013

1st bank in Singapore to offer retail customers online access to gold and silver savings accounts

2014

Named Most Admired ASEAN Enterprise for ASEAN Centricity by ASEAN Business Advisory Council

1st Asian bank to obtain a Eurex General Clearing Membership

Completes full acquisition of Far Eastern Bank

Officially opens Yangon branch, adding to UOB's unparalleled Southeast Asian network



UOB turns 80



Creating Long-term Value Across Our Franchise

UOB is committed to achieving sustainable and stable growth that creates long-term value across our franchise. Our prudent and disciplined approach to banking is guided by our values of honour, enterprise, unity and commitment.

Our Values

Our time-tested values shape our thinking and behaviour.



Honourable

We act prudently to fuel our customers' success and maintain the highest standards in all we do.



Enterprising

We possess a forward-looking mindset and provide deep insight, taking the initiative to find solutions.



United

We reach our corporate and individual goals through cooperation, mutual respect and loyalty.



Committed

We hold ourselves accountable for ensuring that UOB remains a source of stability, security and strength.

► Our Fundamentals

These strengths distinguish UOB within the industry and when combined, make us unique.



Asian heritage and Southeast Asian roots

Our Asian perspective, honed over time, gives us a strong appreciation of what is unique to ASEAN, and the needs of our customers and their businesses.



Established and integrated network

Our integrated and unparalleled Southeast Asian network and extensive global presence allow us to provide a consistent quality of experience.



Deep pool of talent and experience

Our people are widely recognised for their experience and expertise. We are steadfast in nurturing relationships with customers and with our colleagues across generations.



Strong credit ratings, capital and funding base

Our disciplined and measured approach in maintaining a robust capital position and strong balance sheet has consistently earned us top credit ratings.



Robust risk management and corporate governance

Our commitment to good governance and informed risk decision-making enables us to grow sustainably.

► Our Customer-focused Business

We draw upon our expertise for the benefit of our customers, focusing on what is relevant to their personal or business needs.

Group Retail

Our strong customer relationships are founded on our intimate understanding of who they are, what they hold precious and what influences their lives.

We focus on their financial present and future. To help them reach their goals, we offer a purposeful and broad range of products and services that help them plan, save, spend and invest wisely.

We do so in ways that best suit their lifestyles and preferences.

Our Purpose

We harness the strength of our fundamentals and draw upon our experience and expertise in support of our customers wherever they are. We help our customers grow their wealth, manage their businesses and seize opportunities across the region with purposeful financial solutions and insightful advisory. Our strength and stability mean that our stakeholders can count on us through economic cycles. We appreciate the importance of deep relationships and remain committed to the progress of the economies and communities in which we operate.

In this way, we create value for all our stakeholders – now and for the future.

► Our Expertise

We build on our fundamentals to provide solutions with the right balance of prudence and enterprise for our customers.

Deep in-country knowledge

Our understanding of each local business environment enables us to help our customers manage their finances, from simple to complex, and within and across borders.

92%

of colleagues in
our key markets
are local

Seamless connectivity

Our network connects our customers across Southeast Asia and to the rest of world. Combined with our in-country expertise and astute market insights, we are best-positioned to help our customers unlock the region's potential.

>500

branches
and offices
across our
key regional
markets

Dedicated professionals

Led by the vision and experience of our leadership, our high-calibre people are committed to advise and to act in the best interests of our customers. We are there for them when it matters, just as we are for our colleagues.

30

years of industry
experience our
senior management
have on average

Dependability for the long term

Our financial stability enables us to be agile in responding to our customers' needs through changing economic cycles and to seize opportunities as they arise.

11.7%

proforma Common
Equity Tier 1 Capital
Adequacy Ratio

Sound and sustainable model

Our sound risk management and governance culture ensures that we always provide appropriate solutions for our customers that best suit their needs and our risk appetite.

142%

total Liquidity
Coverage Ratio
(average quarter-
to-date)

Group Wholesale Banking and Global Markets and Investment Management

Our deep client relationships are based on the premise that we care for our clients' businesses as if they were our own.

We offer the experience and expertise from across the Group to provide them with comprehensive and customised banking and financial risk management services.

Through our seamless, cross-border banking solutions and on-the-ground coverage, we support our clients as they manage and expand their businesses across Asia.

Our Value Creation



Investors

Serving the long-term interests of our investors by delivering stable and sustainable returns.

5%

five-year total annualised
shareholder return



People

Building meaningful careers and nurturing people as we develop deeper relationships with customers.

15%

of employees promoted



Community

Making a difference in the lives of our stakeholders and the communities in which we operate.

>23,500

employee hours spent on
community initiatives



Regulators

Complying with regulations and being a responsible member of the financial services industry.

Our Strategic Priorities

► Capitalising on Regional Growth Drivers

Asian trends dictate increasing demand for innovative financial solutions for consumers and businesses

Market expectations of rising interest rates due to the end of quantitative easing in the US, depressed commodity prices and China's economic slowdown resulted in a muted global economy in 2015. The outlook for 2016 is austere. But Asia remains a bright spot. Its expanding population, increasing urbanisation and rising affluence create greater consumption and demand for goods and services in the region. These trends will continue to spur interest in, and the pursuit of, innovative personal banking solutions as consumers save, spend, invest and plan in accordance with their lifestyles.

Trade and investment flows in Asia will continue to grow to support the demand for goods and services. Facilitating both inter- and intra-regional trade are the free trade agreements and government-level initiatives such as the ASEAN Economic Community, One Belt One Road, Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership, which will lower trade barriers and also boost foreign direct investments. The emerging economies and infrastructural development in the region also present opportunities to businesses seeking to expand their local and cross-border operations. To ride on these trade and investment trends, to manage potential risks and to sustain growth, businesses will continue to seek a wide range of financial solutions that meet their needs.

Our priorities

Serving the financial needs of consumers

- Helping customers safeguard their assets and gain greater yield;
- Ensuring that our customers benefit from programmes designed to suit their lifestyles and ambitions; and
- Growing our customers' wealth for the next generation.

Supporting companies as they manage and expand their businesses within and across borders

- Helping businesses realise their potential and seize opportunities across Asia;
- Partnering financial institutions as they grow in Asia; and
- Creating value for our clients by providing working capital, financing, cash flow and liquidity solutions, and advisory services.

► Balancing Growth with Stability

More stringent requirements for banks amid evolving regulatory frameworks

The global banking sector in recent years has seen the tightening of balance sheets and underwriting standards, as banks strive to control credit exposure and to improve their asset-liability mix amid interest rate and currency risks.

Regulatory frameworks continue to evolve as central banks seek to ensure financial stability and effective corporate governance. Among which, the Basel III framework requires banks to build up higher capital and liquidity levels in order to withstand potential risks and shocks.

► Investing in Enablers to Support Business Growth

Expertise remains core to the banking industry which is being shaped by technological advances

The advancement of technology and digitalisation has over the last decade changed the way people live their lives. Banking transactions are increasingly made online and on mobile devices. Innovation in financial technology is shaping how traditional banks engage their customers. With more services – from loans to payments – going digital, banks are tapping on data analytics to provide customers with a personalised experience. The ubiquity of mobile devices also calls for tighter cyber security and more robust processes and systems.

As the financial industry continues to evolve and open up to more non-traditional players, banks have to ensure their relevance and distinctiveness to their customers as they seek sustainable business growth. Core to this are the quality and expertise of the people in an organisation.

Our priorities

Making banking simpler and safer for our customers with the use of technology

- • Providing our customers with an intuitive and seamless experience across different touch points and geographies;
- Using financial technology to create innovative banking solutions for consumers and businesses; and
- Enhancing our monitoring and risk systems to maintain a secure banking environment for our customers.

Nurturing our people and building meaningful careers

- • Nurturing a culture of innovative and entrepreneurial thinking to stay competitive in a fast-changing banking landscape;
- Investing in training and career development so our people have the insight and agility to seize the opportunities before them; and
- Ensuring our people uphold the highest professional and moral standards through organisational policies, practices and processes.

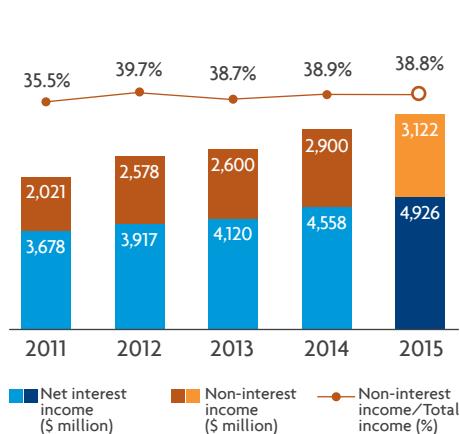
Our priorities

Ensuring continued financial strength, high governance standards and sustainable business practices to create value for all our stakeholders

- • Broadening funding sources and diversifying investor base;
- Maintaining robust capital and risk management systems and processes;
- Preserving strong capital adequacy levels to support business growth in a prudent and disciplined manner; and
- Upholding the highest professional and moral standards to do what is right for all our stakeholders.

Financial Highlights

We achieved steady income growth, and maintained a resilient balance sheet and strong capital position.



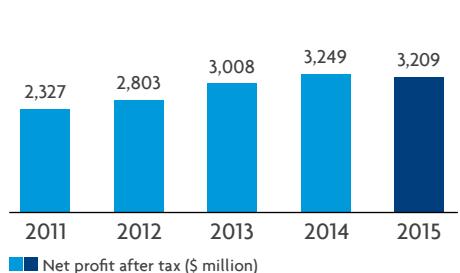
Total Income

Total income grew 7.9% to reach \$8.05 billion, led by a broad-based increase in core income and higher gains on sale of investment securities.

\$8,048 million
+ 7.9%

Net interest income grew 8.1% to \$4.93 billion, driven by healthy loan growth and improved net interest margin. Net interest margin increased 6 basis points to 1.77%, benefiting from rising short-term interest rates in Singapore.

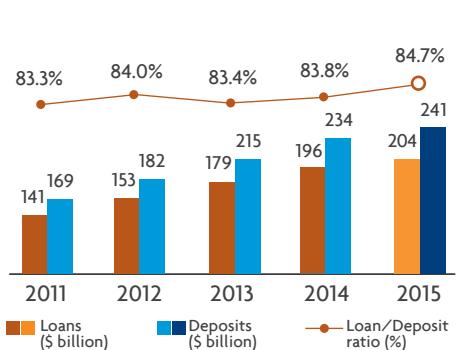
Non-interest income rose 7.7% to \$3.12 billion in 2015. Fee income grew 7.7% to \$1.88 billion with credit card, fund management and wealth management activities registering steady growth. Trading and investment income increased 16.8% to \$954 million due to higher gains on sale of securities as well as healthy growth in treasury customer income.



Net Profit After Tax

The Group reported net profit after tax of \$3.21 billion for 2015, a marginal 1.2% lower from a year ago as prior year results included a higher write-back of tax provisions.

\$3,209 million
- 1.2%



Customer Loans/Deposits

Net loans registered a broad-based increase of 3.9% from a year ago to \$204 billion in 2015.

Customer Loans
\$204 billion
+ 3.9%

Customer deposits grew 2.9% to \$241 billion, mainly led by growth in Singapore dollar and US dollar deposits.

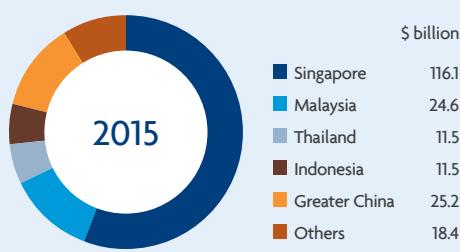
Customer Deposits

\$241 billion
+ 2.9%

The Group's funding position continued to be strong with loan-to-deposit ratio at 84.7% in 2015.

Loan/Deposit ratio
84.7%
+ 0.9% pt

*Note: Net loans were net of total allowances.
From 2013, customer deposits include deposits from financial institutions relating to fund management and operating accounts. Previously, these deposits were classified as "Deposits and balances of banks".*



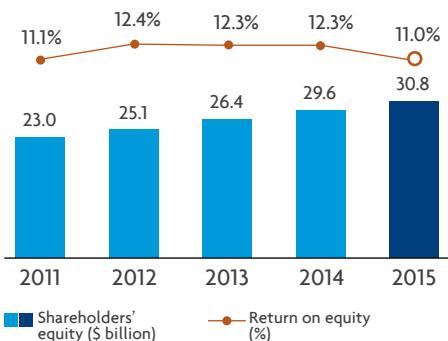
Loans By Geography

Gross loans grew 4.0% year-on-year to \$207 billion in 2015. In constant currency terms, the underlying loan growth was 5.4%.

\$207 billion
+ 4.0%

Singapore, which accounted for 56% of Group loan base, registered 5.8% growth year-on-year to reach \$116 billion while loans outside Singapore grew 1.8%.

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



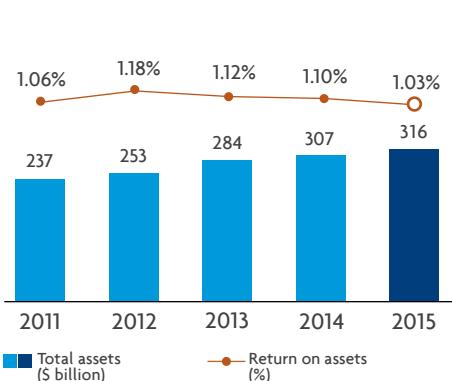
Shareholders' Equity/Return on Equity

Shareholders' equity increased 4.1% from a year ago to \$30.8 billion as at 31 December 2015, largely contributed by net profits and improved valuations on available-for-sale investments.

Return on equity was 11.0% for 2015.

Shareholders' Equity
\$31 billion
+ 4.1%

Return on Equity
11.0%
- 1.3% pt



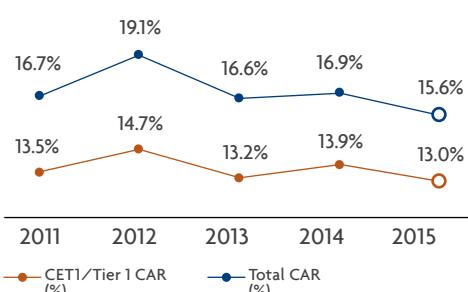
Total Assets/Return on Assets

The Group's total assets grew 3.0% to \$316 billion in 2015 mainly on higher loan volume.

Return on assets for 2015 was 1.03%.

Total Assets
\$316 billion
+ 3.0%

Return on Assets
1.03%
- 0.07% pt



Capital Adequacy Ratio (CAR)

As at 31 December 2015, the Group's strong capital position remained well above the Monetary Authority of Singapore (MAS) minimum requirements with Common Equity Tier 1 (CET1) and Total CAR at 13.0% and 15.6% respectively.

Note: With effect from January 2013, the Group adopted the Basel III framework for its CAR computation in accordance with the revised MAS Notice 637 and CET1 is mandated under MAS Notice 637.

CET1/Tier 1 CAR
13.0%
- 0.9% pt

Total CAR
15.6%
- 1.3% pt



Overseas Profit Before Tax Contribution

The Group's net profit before tax was 1.1% higher at \$3.87 billion. Singapore increased 0.8% year-on-year to \$2.36 billion while overseas grew 1.8%, driven mainly by Thailand, Greater China and overseas branches.

Overseas profit contribution was higher at 38.9% in 2015 when compared with 38.7% a year ago.

38.9%
+ 0.2% pt

Financial Highlights

Five-Year Group Financial Summary

	2011	2012	2013	2014	2015
Selected Income Statement Items (\$ million)					
Total income	5,699	6,495	6,720	7,457	8,048
Total expenses	2,450	2,747	2,898	3,146	3,597
Operating profit	3,248	3,748	3,822	4,311	4,451
Net profit after tax ¹	2,327	2,803	3,008	3,249	3,209
Selected Balance Sheet Items (\$ million)					
Net customer loans	141,191	152,930	178,857	195,903	203,611
Customer deposits ²	169,460	182,029	214,548	233,750	240,524
Total assets	236,958	252,900	284,229	306,736	316,011
Shareholders' equity ¹	22,967	25,080	26,388	29,569	30,768
Financial Indicators (%)					
Expense/Income ratio	43.0	42.3	43.1	42.2	44.7
Non-performing loans ratio	1.4	1.5	1.1	1.2	1.4
Return on average total assets	1.06	1.18	1.12	1.10	1.03
Return on average ordinary shareholders' equity	11.1	12.4	12.3	12.3	11.0
Capital adequacy ratios ³					
Common Equity Tier 1 / Tier 1	13.5	14.7	13.2	13.9	13.0
Total	16.7	19.1	16.6	16.9	15.6
Per ordinary share					
Basic earnings (\$)	1.43	1.72	1.84	1.98	1.94
Net asset value (\$)	13.23	14.56	15.36	17.09	17.84
Net dividend (cents) ⁴	60	70	75	75	90
Dividend cover (times) ⁴	2.47	2.54	2.54	2.70	2.23

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

2 From 2013, customer deposits include deposits from financial institutions relating to fund management and operating accounts. Previously, these deposits were classified as "Deposits and balances of banks".

3 With effect from January 2013, the Group adopted the Basel III framework for its capital adequacy ratio computation in accordance with the revised MAS Notice 637 and Common Equity Tier 1 is mandated under MAS Notice 637.

4 Included special dividend of 10 cents in 2012 and 5 cents in 2013 and 2014 respectively. 2015 included UOB's 80th Anniversary dividend of 20 cents.

Chairman Emeritus' Statement



While 2016 looks set to be another difficult year, we continue to see opportunities in adversity.

2015 began on a cautiously optimistic note but ended with disappointment as the persistent slowdown in the global economy was made worse by an unanticipated and severe drop in oil prices. Markets reacted with great volatility as hope turned to nervousness. While 2016 looks set to be another difficult year, we continue to see opportunities in adversity. Our fundamentals are in good stead and our approach has always been with a long-term view.

When my father, Datuk Wee Kheng Chiang, and his business partners opened this bank on 1 October 1935, they were guided by a philosophy built on two pillars – the first is that of being honourable to our customers and to our colleagues. Honour and integrity must never be compromised in a banker.

The second is that of always placing the right persons in the right positions. This philosophy, which I embraced, has since been embedded in UOB and has guided our progress. We reaffirmed its significance as we celebrated our 80th anniversary in 2015. Even as the banking landscape and the regulations governing it become more complex over time, UOB's approach will remain unchanged in taking us forward.

I wish to thank all our loyal customers for their generations of support and our management and employees for upholding UOB's values as they serve and support our customers.

Wee Cho Yaw
Chairman Emeritus and Adviser

February 2016

Chairman's Statement

It is at times such as these that UOB's innate conservatism plays to its advantage.



The year in review

2015 was marked by tumbling oil prices, sliding Asian markets, sharp depreciation of regional currencies against the US dollar and anxiety over China's economic slowdown. It is at times such as these that UOB's innate conservatism plays to its advantage. For in periods of heady growth we are not the first to dash out of the starting blocks in a race for profit. We prefer to maintain a steady footing. This measured approach enables us to stand on firmer ground and to withstand the turbulence that we are facing now.

Given a year of uncertainties, we as a Board are satisfied with our performance. UOB recorded an operating profit of \$4.45 billion, up 3.2 per cent over 2014. Net profit after tax held relatively steady at \$3.21 billion for 2015.

Harnessing our franchise strength

Through the challenging environment, we enhanced coverage across our regional footprint, investing in specialist bankers particularly for our financial institution clients. We also strengthened product sales across Transaction Banking and Global Markets. Thus we saw strong growth in the Financial Institutions segment along with increased cross-selling in cash management and Global Markets products for our corporate clients. Building on the strengths of our regional franchise, Hong Kong was key to capturing cross-product and cross-geographic opportunities. Its strong growth in 2015 was derived from the expansion of our client base there, as well as from the network activities of our clients from China and Southeast Asia operating in or through Hong Kong.

The year also saw UOB complete its compulsory acquisition of Far Eastern Bank making it a wholly-owned subsidiary of UOB. The acquisition enables UOB to have greater control and management flexibility to integrate the company's operations for increased efficiencies.

I referred last year to digitisation opening new avenues for financial institutions to meet the needs of consumers. In 2015, we continued to strengthen and to extend the digital experience through our products and services. We also set up The FinLab venture to explore possibilities with FinTech startups through prototypes in payments and collections, wealth management, big data analytics and risk management.

Ensuring our financial resilience

The year ahead will be difficult and so we continue to scour for problems that might arise in time. We have been actively monitoring and stress-testing areas of exposure in China, oil & gas, other commodities and shipping which have been of greatest concern lately. We as a Board have reviewed these vulnerable areas and are satisfied that they are relatively contained.

We have continued to maintain a strong capital position and also enlarged our deposits. We further broadened and diversified our investor and funding base. Last November, we established a US\$8 billion Global Covered Bond Programme to provide the Group with access to wholesale funding markets even in periods of extreme market volatility. Our disciplined funding strategy has been central to the Bank's stable growth.

The next 80

2015 was a year of much significance to UOB for we celebrated UOB's 80th anniversary and marked our deep commitment to our founding principles of prudence, industry, thrift and vigilance. These principles will continue to guide us and ensure the Group's continued financial soundness as we protect and promote the interests of our stakeholders.

I am pleased to announce that the Board has recommended a final dividend of 35 cents per ordinary share. Together with the one-off 80th Anniversary dividend of 20 cents and interim dividend of 35 cents, this takes the total dividend for 2015 to 90 cents per ordinary share.

I would like to extend my gratitude to my fellow Board members, and the CEO and his team, for their efforts in steering UOB forward. On behalf of the Board, I thank our colleagues for their dedication in upholding the commitments we make to our customers. And I remain grateful to our customers and shareholders for their continued and loyal support of UOB.

Hsieh Fu Hua
Chairman

February 2016

Deputy Chairman and CEO's Report

We will continue to build on our strengths, guided by our time-tested values of honour, enterprise, unity and commitment, and a strong sense of accountability to our stakeholders.



Focusing on our fundamentals

UOB turned 80 against the backdrop of a challenging global macro-environment in 2015. Through various business cycles, we have grown with and stood by our customers. And we have done so over time by increasingly harnessing the strengths of our fundamentals. These are our Asian heritage and Southeast Asian roots; an established and integrated network; our deep pool of talent and experience; strong balance sheet; and robust risk management. Our fundamentals have enabled our progress over the past eight decades and they have also anchored us when the waters turn choppy.

The industry today is increasingly complex and volatile. We face an unpredictable environment with structural changes brought on by new technology, increasing connectivity and regulations. Times such as these present opportunities for long-term players, such as UOB, to draw upon its strengths.

UOB was founded on 1 October 1935 in the aftermath of the Great Depression. A team of seven businessmen led by Datuk Wee Kheng Chiang saw the need to help enterprise in Singapore grow amid the economic uncertainties. That entrepreneurial spirit and astute business acumen continue to shape our development and position us as a leading regional financial institution, as once again, we find ourselves on the cusp of great change in the banking industry.

Our journey has seen many key turning points as we developed our Asian franchise and presence globally. From our very first overseas branch opened in Hong Kong in 1965 to our latest investment in Myanmar, we carefully planned each move as an element of our blue-print to build our pan-regional network. Today, we have a well-established and extensive on-the-ground presence, customer franchise and distribution capabilities. With our measured and long-term approach, we are always thinking for the future and for sustainable growth.

Regulators and investors are increasingly taking into account the role banks play in the development of sustainable economies. As a leading financial institution, UOB is committed to promoting responsible financing in the region. We integrate environmental, social and governance factors in our risk and credit assessment processes.

For our customers and their businesses, we have invested time and resources to understand their needs and priorities. Given our deep presence in ASEAN, we are well placed to provide our customers insight into the region and nuances of local market conditions, helping them to capture the region's potential. Our stability, expertise and strength provide the assurance needed, especially in volatile times.

We will continue to build on our strengths, guided by our time-tested values of honour, enterprise, unity and commitment, and a strong sense of accountability to our stakeholders. As we move beyond our 80th year, to each of you, we renew our commitment to achieving sustainable and stable growth that creates long-term value for all.

2015 Financial Performance

In 2015, we kept our earnings steady and our balance sheet strong despite the challenging and volatile environment.

Net earnings for 2015 stood at \$3.21 billion, 1.2 per cent lower from a year ago as prior year results included a higher write-back of tax provisions.

Total income for 2015 grew 7.9 per cent to reach \$8.05 billion, led by strong client franchise income and higher gains on sale of investment securities.

Deputy Chairman and CEO's Report



Net interest income grew 8.1 per cent to a new high of \$4.93 billion, driven by improved net interest margin and an expanded loan base. Net interest margin increased 6 basis points to 1.77 per cent, benefiting from rising interbank and swap offer rates in Singapore.

Non-interest income rose 7.7 per cent to \$3.12 billion. Fee income grew 7.7 per cent to \$1.88 billion with credit card, fund management and wealth management activities registering steady growth. Trading and investment income rose 16.8 per cent to \$954 million on higher contributions from sale of investment securities and continued growth in treasury customer income.

Total expenses increased 14.3 per cent to \$3.60 billion on higher staff costs, revenue and IT-related expenses as the Group continued to invest in people and technology. The increase was also partly due to a one-off expenditure of \$67 million incurred for the SG50 and UOB80 commemorative events and brand campaign. Our expense-to-income ratio was 44.7 per cent, or 43.4 per cent on a normalised basis.

We are sharpening our focus on productivity and stepping up efforts to improve efficiencies across our businesses and network, especially in this environment of moderating growth.

Maintaining a strong balance sheet remains our focus. As the credit cycle began to turn, the non-performing loan (NPL) ratio rose slightly to 1.4 per cent. While specific loan charge-off increased in tandem to 19 basis points, total loan charge-off was stable at 32 basis points. We monitor our portfolio closely and are confident of the resilience of our asset quality and adequacy of provisions. We are well cushioned against credit cost with our NPL reserve coverage of 130.5 per cent and strong general allowances at 1.4 per cent of loans.

Our funding position remained healthy, with our deposit base firmly supported by our regional branch network. The Group's loans-to-deposits ratio (LDR) was stable at 84.7 per cent as at 31 December 2015. Our Singapore dollar and US dollar LDRs were similarly steady, at 91.7 per cent and 65.6 per cent respectively. To help us broaden and diversify our investor base including tapping the institutional secured funding market, we established our US\$8 billion Global Covered Bond Programme. Our Liquidity Coverage Ratios in Singapore dollars and all-currency basis averaged at a respective 217 per cent and 142 per cent in the fourth quarter of 2015.

Our capital position is strong with Common Equity Tier 1 and Total Capital Adequacy Ratios at 13.0 per cent and 15.6 per cent as at 31 December 2015 respectively.

We maintained our position as one of the world's top-rated banks with a rating of 'Aa1' by Moody's and 'AA-' by both Standard & Poor's and Fitch Ratings.

Building on Asian connectivity

In 2015, we continued to support our customers with the right balance of prudence and enterprise, harnessing the strengths of our Southeast Asian footprint and customer franchise. Despite the slowdown in Asian economies, we continue to witness the rise of Asian connectivity, led by globalisation and technological advancement. This, along with the structural trends of rising intra-regional trade and investment flows and the vast consumer market of Asia, presents growth opportunities for our customers. And we are well positioned to support them.



UOB's advantage is in our established and integrated Southeast Asian network and our deep in-country knowledge. With the rising demand for the services we provide, we increased our support of Asian enterprises and financial institutions expanding along three key trade and investment corridors – between ASEAN and Greater China, within ASEAN, and within Greater China. We signed several trade agreements with government agencies in China, Indonesia, Thailand and Vietnam to facilitate the expansion and investment interests of our customers. We believe our clients will benefit further when the impact of cross-border programmes of the ASEAN Economic Community, China's One Belt One Road initiative and the Trans-Pacific Partnership is progressively felt.

We also deepened our coverage of Indonesia, the Pearl River Delta region and the Yangtze River Economic Belt. New branches were opened in Yangon, Hong Kong and Suzhou.

We strengthened our client franchise by establishing dedicated teams for financial institution and financial sponsor clients. We deepened our product and advisory capabilities to provide comprehensive solutions for our clients' increasingly sophisticated needs. For instance, our enhanced cash management and trade finance services across ASEAN and Greater China helped our clients improve their operating efficiencies, manage cash flows and better their returns on operating funds. Our hedging solutions helped businesses manage currency volatility. Overall, our efforts in building capabilities allowed us to deepen relationships with our clients and to attract new ones.

Enhancing our customers' experience

In Retail Banking, we are sharpening our focus on three areas: helping our customers save and invest wisely to prepare for life's milestones, providing payment options that match their lifestyles and harnessing digital technology to create a simple and consistent banking experience for them.

We are creating a more distinctive and consistent experience for our customers, enabled by digital technology. This is wrapped with the human touch.

We design our products and services around the family, business and lifestyle needs of our customers. An example of this is how we helped our customers fight the pressures of declining returns in a low interest rate environment with solutions such as the UOB ONE account and UOB Income Builder. On wealth management, we expanded our customer base and assets under management as we strengthened our product suite and advisory processes.

We are creating a more distinctive and consistent experience for our customers, enabled by digital technology. This is wrapped with the human touch. We were the first financial institution outside the US to enable our customers to turn their Android smart-phones into electronic wallets and to make contactless payments with tokenised security worldwide through a single application - the UOB Mighty. The app enables our customers to bank, to dine and to pay on the go.

We will continue to ride on innovation and technology to enhance our customers' experience with us at every touch point. At a broader level, we are helping to accelerate the growth of FinTech startups and innovators in the region. The FinLab, for instance, is an innovation hub bringing together UOB employees and Asia's brightest startups. We are nurturing minds to create solutions in areas such as payments, wealth management, mobile banking and small- and medium-sized enterprise banking.

Our joint venture with Temasek Holdings – InnoVen Capital – provides venture debt financing to startups operating in high-tech sectors across Asia. We are helping to transform emerging technologies into viable financial services of the future. In encouraging the growth of new entrepreneurs and startups in Asia, we are also enhancing UOB's franchise in the small- and medium-sized enterprise segment.

Deputy Chairman and CEO's Report

We remain confident of the region's growth potential. We believe that our disciplined approach of growth with stability and maintaining a strong balance sheet will ensure our resilience and enable us to support customers through cycles.

Strengthening the social fabric

We believe that sustainable growth should also enrich the lives of people. This, as with helping businesses grow, takes time and effort. For example, we have helped nurture and promote artistic talent across the region for 40 years. In 2015, our flagship regional art programme, Painting of the Year, turned 34 years old. In our 80th year as a bank, we opened the UOB Southeast Asia Gallery at the National Gallery Singapore to bring the world's largest collection of modern Southeast Asian art to all.

Developing minds and future leaders helps ensure the success of a community. To mark our 80th anniversary, we set up the Wee Cho Yaw Future Leaders Award to provide tertiary education for the less privileged students. As Singapore celebrated its golden jubilee of nationhood, we expressed our gratitude to the country's aging pioneers with a special donation to help care for the elderly and those with disabilities.

At the heart of our success are our colleagues. We thanked them for their part in UOB's growth with special UOB80 and SG50 gifts of cash and leave days.

2016 Outlook

In the near term, market turbulence reflects nervousness about China's slowdown and depressed oil prices and their impact on the wider economy. We expect financial market volatility to continue this year.

Market sentiment aside, the situation now is different from the financial crises of 1998 and 2008. We are not facing the past issues of high corporate leverage, outsized unhedged currency exposure or a global liquidity crunch. Asian economic fundamentals and corporate balance sheets are generally stronger than before and are expected to withstand potential shocks. What we are experiencing is part of an economic down cycle, not a crisis.

We remain confident of the region's growth potential. We believe that our disciplined approach of growth with stability and maintaining a strong balance sheet will ensure our resilience and enable us to support customers through cycles. UOB has withstood the challenges of time for the past eight decades. We will continue to invest and to build our business for the next 80 years.

Our extensive regional network, strong local knowledge, deep customer relationships and dedicated people give us a distinct advantage to capitalise on the opportunities before us. We are confident of realising the full potential of UOB as we create value for our stakeholders.

Acknowledgements

I would like to thank the Board directors for their guidance and our people for their unwavering commitment and dedication to safeguarding the interests of all our stakeholders. To our customers and investors, thank you for your trust and confidence in UOB. We look forward to your support in the years ahead.

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

February 2016

Board of Directors



Wee Cho Yaw, 87

Chairman Emeritus and Adviser

Non-Executive and Non-Independent

First appointed as a director: 14 May 1958

Last re-appointed as a director: 24 April 2015

Conferred the title of Chairman Emeritus: 25 April 2013

A banker with more than 50 years' experience, Dr Wee had previously served in the positions of Chairman and Chief Executive Officer of United Overseas Bank from 1974 to 2007. Throughout his banking career, Dr Wee has been active in promoting education and the development of the community. He received an Honorary Degree of Doctor of Letters from the National University of Singapore in 2008 and a second Honorary Degree of Doctor of Letters in 2014 from the Nanyang Technological University. The honorary degrees were given for his long-standing support of education, community welfare and the business community. For his outstanding contributions to the economic, education and community development fields in Singapore, he was conferred The Distinguished Service Order, Singapore's highest National Day Award in 2011.

Board Committee Positions

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

Current Directorships and Principal Commitments

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

Past Directorships in Listed Companies in the Last Three Years

- United International Securities (till December 2013)
- Singapore Land (till October 2014)

Education and Achievements

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

Board of Directors



Hsieh Fu Hua, 65

Chairman

Non-Executive and Independent

First appointed as a director: 16 January 2012

Last re-elected as a director: 24 April 2015

Appointed as Chairman: 25 April 2013

Mr Hsieh has 40 years of experience in banking and capital markets in Asia. Previously, he served as the Chief Executive Officer and director of Singapore Exchange and a member of the Temasek Holdings board. He is also active in the community, serving on the boards of several non-profit organisations.

Board Committee Positions

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

Current Directorships and Principal Commitments

- Far Eastern Bank (Chairman)
- Tiger Airways Holdings (Chairman)
- GIC (Director)
- National Council of Social Service (President)
- National Gallery Singapore (Chairman)
- Stewardship Asia Centre (Chairman)
- PrimePartners Group (Adviser)

Past Directorships in Listed Companies in the Last Three Years

- Nil

Education and Achievements

- Business Administration (Hons), University of Singapore



Wee Ee Cheong, 63

Deputy Chairman and Chief Executive Officer

Executive and Non-Independent

First appointed as a director: 3 January 1990

Last re-elected as a director: 24 April 2015

Appointed as Chief Executive Officer: 27 April 2007

A career banker with more than 35 years' experience, Mr Wee is actively involved in the UOB Group, the industry and community through his involvement in various industry bodies. He was also previously deputy chairman of the Housing & Development Board and a director of the Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

Board Committee Positions

- Board Credit Committee (Member)
- Board Risk Management Committee (Member)
- Nominating Committee (alternate to Wee Cho Yaw)
- Strategy Committee (Member)

Current Directorships and Principal Commitments

- United Overseas Bank (China) (Chairman)
- Far Eastern Bank (alternate to Wee Cho Yaw)
- United Overseas Insurance (Director)
- PT Bank UOB Indonesia (Vice President Commissioner)
- United Overseas Bank (Malaysia) (Director)
- United Overseas Bank (Thai) Public Company (Director)
- The Association of Banks in Singapore (Chairman)
- The Institute of Banking & Finance (Vice-Chairman)
- The Institute of Banking & Finance Standards Committee (Chairman)
- Board of Governors of the Singapore-China Foundation (Member)
- Singapore Chinese Chamber of Commerce & Industry (Honorary Council Member)
- Visa APCEMEA Senior Client Council (Member)
- Nanyang Academy of Fine Arts (Patron)
- Wee Foundation (Director)

Past Directorships in Listed Companies in the Last Three Years

- United International Securities (till December 2013)

Education and Achievements

- Master of Arts (Applied Economics), American University, Washington, DC
- Bachelor of Science (Business Administration), American University, Washington, DC
- Public Service Star (2003)



Wong Meng Meng, 67

Non-Executive and Non-Independent

First appointed as a director: 14 March 2000
Last re-elected as a director: 24 April 2014

A lawyer by profession, Mr Wong was among the pioneer batch of Senior Counsel appointed in January 1997. A prominent figure in the legal field, Mr Wong served previously as the President of The Law Society of Singapore, the Vice President of the Singapore Academy of Law, member of the Military Court of Appeal and the Advisory Committee of Singapore International Arbitration Centre.

Board Committee Positions

- Board Risk Management Committee (Member)
- Nominating Committee (Member)

Current Directorships and Principal Commitments

- WongPartnership (Founder-Consultant)
- Energy Market Company (Chairman)
- Mapletree Industrial Trust Management (Chairman)
- Competition Appeal Board (Member)
- Public Guardian Board (Member)

Past Directorships in Listed Companies in the Last Three Years

- Nil

Education and Achievements

- Bachelor of Law (Hons), University of Singapore
- Public Service Medal, Singapore (2001)
- Acknowledged as one of the world's leading lawyers in premier directories including *The International Who's Who of Commercial Litigators*, *The Guide to the World's Leading Experts in Commercial Arbitration*, *Asialaw Leading Lawyers*, *PLC Cross-border Dispute Resolution: Arbitration Handbook*, *The International Who's Who of Construction Lawyers* and *Best Lawyers International: Singapore*

Franklin Leo Lavin, 58

Non-Executive and Independent

First appointed as a director: 15 July 2010
Last re-elected as a director: 25 April 2013

A former diplomat with extensive experience in public administration, Mr Lavin served as Ambassador to Singapore where he helped to negotiate the landmark US-Singapore Free Trade Agreement. He is also knowledgeable about the banking industry, having held senior finance and management positions at Citibank and Bank of America.

Board Committee Positions

- Board Risk Management Committee (Member)
- Nominating Committee (Member)

Current Directorships and Principal Commitments

- Far Eastern Bank (Director)
- Export Now (Founder, Chairman and Chief Executive Officer)
- Consitel (Director)

Past Directorships in Listed Companies in the Last Three Years

- Globe Specialty Metals (till December 2015)

Education and Achievements

- Master of Business Administration in Finance, Wharton School, University of Pennsylvania
- Master of Arts in International Relations and International Economics, School of Advanced International Studies at Johns Hopkins University
- Master of Science in Chinese Language and History, Georgetown University
- Bachelor of Science, School of Foreign Service, Georgetown University
- Under-Secretary for International Trade at the Department of Commerce, United States of America (USA) (November 2005 to July 2007)
- US Ambassador to Singapore (August 2001 to October 2005)
- Chairman of the Steering Committee of the Shanghai 2010 World Expo USA Pavilion

Board of Directors



Willie Cheng Jue Hiang, 62

Non-Executive and Independent

First appointed as a director: 15 July 2010
Last re-elected as a director: 24 April 2014

Retired after 26 years' service with Accenture, Mr Cheng is a well-respected figure in the non-profit sector. He also contributes actively to the furtherance of corporate governance in Singapore, serving as Chairman of Singapore Institute of Directors and a member of the Singapore Exchange's Diversity Action Committee. His previous directorships include NTUC Fairprice Co-operative, Singapore Cooperation Enterprise and Lien Centre for Social Innovation.

Board Committee Positions

- Audit Committee (Chairman)
- Nominating Committee (Member)

Current Directorships and Principal Commitments

- FEO Hospitality Asset Management (Director)
- Integrated Health Information Systems (Director)
- NTUC Health Co-operative (Director)
- Singapore Health Services (Director)
- ApVentures (Director)
- Caritas Humanitarian Aid & Relief Initiatives Singapore (Director)
- Council for Third Age (Director)
- SymAsia Foundation (Director)
- Singapore Institute of Directors (Chairman)
- Diversity Action Committee, Singapore Exchange (Member)
- Institute of Singapore Chartered Accountants (Fellow)
- Singapore Computer Society (Honorary Fellow)

Past Directorships in Listed Companies in the Last Three Years

- Singapore Press Holdings (till December 2013)

Education and Achievements

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



James Koh Cher Siang, 70

Non-Executive and Independent

First appointed as a director: 1 September 2012
Last re-elected as a director: 25 April 2013

A former civil servant with an illustrious 35-year career, Mr Koh held various appointments including Permanent Secretary in the Ministries of National Development, Community Development and Education. He retired as the Comptroller of Income Tax, where he was both Commissioner of Inland Revenue and Commissioner of Charities. His past directorships include Pan Pacific Hotels Groups, UOL Group and Singapore Airlines.

Board Committee Positions

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

Current Directorships and Principal Commitments

- Housing & Development Board (Chairman)
- CapitaLand (Director)
- CapitaLand Hope Foundation (Director)

Past Directorships in Listed Companies in the Last Three Years

- CapitaMall Trust Management (till April 2013)

Education and Achievements

- Master in Public Administration, Harvard University
- Master of Arts, Oxford University
- Bachelor of Arts (Hons) in Philosophy, Political Science and Economics, Oxford University
- Meritorious Service Medal (2002)
- Public Administration Medal (Gold) (1983)



Ong Yew Huat, 60

Non-Executive and Independent

First appointed as a director: 2 January 2013
Last re-elected as a director: 25 April 2013

Mr Ong is a chartered accountant and retired as Executive Chairman of Ernst & Young Singapore after 33 years with the firm. A known supporter of the arts, he previously served on the boards of the Singapore Art Museum and The National Art Gallery, and is currently Chairman of the National Heritage Board and the Singapore Tyler Print Institute.

Board Committee Positions

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

Current Directorships and Principal Commitments

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

Past Directorships in Listed Companies in the Last Three Years

- Nil

Education and Achievements

- Bachelor of Accounting (Hons), University of Kent at Canterbury.
- Institute of Chartered Accountants in England and Wales (Member)
- Institute of Singapore Chartered Accountants (Member)
- Public Service Medal (2011)

Lim Hwee Hua, 57

Non-Executive and Independent

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

Mrs Lim enjoyed a varied career in financial services prior to her service in Parliament between 1996 to 2011, where she last served as Minister in the Prime Minister's Office, and concurrently as Second Minister for Finance and Transport. She rejoined the financial sector after leaving Parliament and is currently Honorary Chairman of Securities Investors Association, Singapore.

Board Committee Positions

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

Current Directorships and Principal Commitments

- Tembusu Partners (Director)
- BW Group (Director)
- Jardine Cycle & Carriage (Director)
- Kohlberg Kravis & Roberts (Senior Advisor)
- Securities Investors Association, Singapore (Honorary Chairman)
- Asia Advisory Board of Westpac Institutional Bank (Member)

Past Directorships in Listed Companies in the Last Three Years

- Stamford Land Corporation (till November 2015)

Education and Achievements

- Master of Arts (Hons) in Mathematics/Engineering, University of Cambridge
- Master of Business Administration in Finance, Anderson School of Management, University of California at Los Angeles

Group Management Committee

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

Management Executive Committee

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

Chan Kok Seong

Group Chief Risk Officer

Mr Chan joined UOB in 1998. He is the Head of Group Risk Management. Prior to his appointment in Singapore in September 2012, Mr Chan was the CEO of UOB (Malaysia). He holds a Bachelor of Accounting from the University of Malaya, Malaysia and is a member of The Malaysian Institute of Certified Public Accountants. He has more than 25 years of experience in banking.

Frederick Chin Voon Fat

Group Wholesale Banking

Mr Chin joined UOB in 2013. He heads the Group's Wholesale Banking business comprising commercial banking, corporate banking, transaction banking, structured trade and commodity finance, special asset-based finance, financial institutions business and investment banking. He holds a Bachelor of Commerce (Accounting and Econometrics) from the University of Melbourne, Australia. Mr Chin has more than 28 years of experience in banking operations and risk management.

Susan Hwee Wai Cheng

Group Technology and Operations

Ms Hwee joined UOB in 2001. She is the Head of Group Technology and Operations. She holds a Bachelor of Science from the National University of Singapore and has more than 30 years of experience in banking and operations.

Francis Lee Chin Yong

Group Retail

Mr Lee joined UOB in 1980. He leads the Group's consumer and small business retail divisions. Prior to his appointment in Singapore in 2003, he was the CEO of UOB (Malaysia). He holds a Malaysian Certificate of Education and has more than 30 years of experience in the financial industry.

Lee Wai Fai

Group Chief Financial Officer

Mr Lee joined UOB in 1989. He leads the Group's financial and management accounting, investor relations and corporate services divisions. He holds a Bachelor of Accountancy (Hons) from the National University of Singapore and a Master of Business Administration in Banking and Finance from Nanyang Technological University, Singapore. He has more than 20 years of experience in banking.

Terence Ong Sea Eng

Global Markets and Investment Management

Mr Ong joined UOB in 1982. He leads the Group's Global Markets and Investment Management and asset management businesses. He holds a Bachelor of Accountancy from the University of Singapore. Mr Ong has more than 30 years of experience in treasury services and operations.

Management Committee

Armand B. Arief (Till 31 December 2015) *President Director, PT Bank UOB Indonesia*

Mr Arief was appointed President Director of PT Bank UOB Buana in 2007. PT Bank UOB Buana has since merged with PT Bank UOB Indonesia. He holds a Bachelor of Business Administration from Curry College, Milton, Massachusetts, USA and a Master of Business Administration from Suffolk University, Boston, Massachusetts, USA. He has more than 25 years of experience in the banking industry.

Cheo Chai Hong *Group Credit (Middle Market)*

Mr Cheo joined UOB in 2005. He oversees the credit approval function for middle market corporations. He previously headed the Group's corporate planning and strategy division. Mr Cheo holds a Bachelor of Business Administration (Hons) from the University of Singapore and has more than 30 years of experience in corporate and investment banking, project and ship finance and credit management.

Chew Mei Lee *Group Compliance*

Ms Chew joined UOB in 2006. She is the Head of Group Compliance. She holds a Bachelor of Laws (Hons) from the University of Malaya, Malaysia and has 30 years of experience in bank compliance.

Peter Foo Moo Tan *President and Chief Executive Officer, United Overseas Bank (Thai) Public Company Limited*

Mr Foo joined UOB in 2011. He was appointed President and CEO of UOB (Thai) in 2012. Prior to this role, he was the Head of the Group's Treasury and Global Markets business for its overseas subsidiaries and branches. Mr Foo holds a Bachelor of Estate Management (Hons) from the National University of Singapore and is a Chartered Financial Analyst. He has more than 25 years of experience in managing banking and financial markets businesses.

Christine Ip *Chief Executive Officer, UOB Hong Kong Branch*

Mrs Ip was appointed CEO of UOB Hong Kong Branch in 2011. She holds a Master in Business Administration from the Hong Kong University of Science and Technology and a Bachelor of Arts from the University of Hong Kong. She has more than 20 years of experience in consumer and corporate banking.

Eric Lian Voon Fui *President and Chief Executive Officer, United Overseas Bank (China) Limited*

Mr Lian was appointed President and CEO of UOB (China) in 2013. He holds a Bachelor of Engineering (Hons) and a Master of Business Administration (Banking & Finance) from Nanyang Technological University, Singapore. Mr Lian has more than 20 years of wholesale banking experience in the Asia Pacific region.

Wong Kim Choong *Chief Executive Officer, United Overseas Bank (Malaysia) Berhad*

Mr Wong was appointed CEO of UOB (Malaysia) in 2012. Prior to this, Mr Wong served as President and CEO of UOB (Thai) from 2004. Mr Wong holds a Bachelor of Commerce from the University of Toronto, Canada. He has more than 30 years of banking experience.

Jenny Wong Mei Leng *Group Human Resources*

Ms Wong joined UOB in 2005 and heads Group Human Resources. She holds a Bachelor of Arts (Hons) from the University of Singapore and a Graduate Diploma in Personnel Management from the Singapore Institute of Management. Ms Wong has more than 25 years of experience in human resource management.

Ian Wong Wah Yan *Group Strategy and International Management*

Mr Wong joined UOB in 2012. He heads the Group Strategy and International Department and is responsible for the Group's overseas banking subsidiaries and branches. Mr Wong holds a Bachelor of Business Administration from the National University of Singapore and a Master of Business Administration from the J.L. Kellogg School of Management, USA and the Hong Kong University of Science and Technology. He has more than 20 years of experience in corporate, institutional and investment banking.

Janet Young Yoke Mun *Group Channels and Digitalisation*

Ms Young joined UOB in 2014 and heads Group Channels and Digitalisation. She holds a Bachelor of Business Administration from the National University of Singapore and a Master of Business Administration from Nanyang Technological University, Singapore. Ms Young has more than 25 years of banking and corporate experience.



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

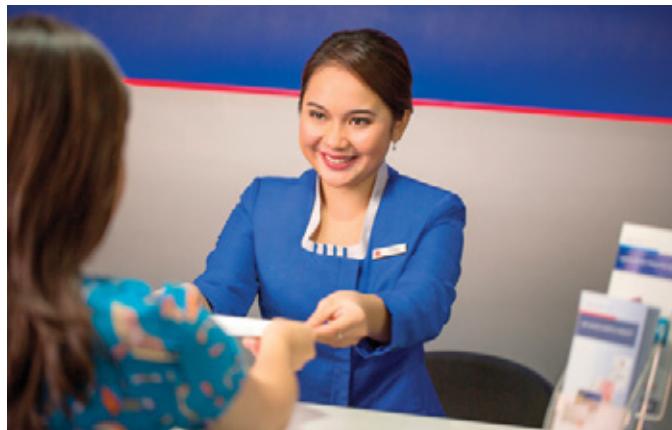
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Year in Review

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 - Group Wholesale Banking
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- 51** People
- 60** Community
- 66** Investors
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Customers

We build on UOB's heritage and values to ensure we act in the best interests of our customers, providing them with the most appropriate solutions and services. Our knowledgeable people maintain the highest standards in helping our customers meet their financial goals. Drawing on our expertise and understanding of what matters to them, we aim to make every experience for our customers count.



Everyone at UOB has a role to play in fulfilling our Customer Commitments.

Honourable

Treat you fairly

We ensure we maintain the highest professional and moral standards in all our dealings with our customers. We have the uncompromising discipline, clarity and bravery to do what is right for them and make every decision in their best interest.

United

Know you personally

The value we place on relationships is reflected in our desire to make every customer experience a special one. By understanding them better with every interaction, learning their preferences and knowing what matters to them, we anticipate their needs and make our products and services relevant to them.

Our Approach – UOB Customer Commitments

We uphold four customer commitments which are based on the UOB values. These are embedded across the organisation in our approach whatever our roles and responsibilities are. We want to keep the customer at the front and centre in all we do, from providing operational support through to serving them face to face.

Enterprising

Provide you with the right solution

We draw on our experience, insight and entrepreneurial spirit to provide our customers with solutions that help them achieve their financial ambitions. With our expertise and capabilities, we help them manage their day-to-day and future requirements, however simple or complex their needs.

Committed

Be there when it matters

We bring the full value of the UOB franchise into each relationship for the benefit of our customers. Our long-term approach, strength and stability enable us to stand by them in good and in bad times and to be present in their future.

Customers

Treating you fairly

We ensure that integrity, trust and respect – core elements of Fair Dealing – are embedded in all aspects of the customer relationship. This can be seen from how we structure our products and services, in our marketing and sales strategies, to our after-sales care.

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

- offering products and services that are suitable for our customers;
- ensuring our colleagues give quality advice and appropriate recommendations;
- providing clear, relevant and timely information so that our customers can make informed financial decisions; and
- dealing with feedback in an independent, effective and prompt manner.

Several internal oversight committees, including the Fair Dealing Guidelines Committee and the Product Sales Committee, review our products, services and processes to ensure we treat our customers fairly. While these committees provide formal oversight, understanding and following the Fair Dealing guidelines is the responsibility of all of us at UOB. Awareness programmes help spread the importance of the message and everyone, including senior management, must complete a Fair Dealing e-learning module every year.

We conduct Fair Dealing workshops annually with various business and support units to examine the feedback given to us by our customers. Using this insight, we identify opportunities for improvement. In 2015, 10 improvement action plans were implemented by our Customer Advocacy and Service Quality team to ensure we fulfil our Fair Dealing commitments and to enhance the customer experience.

We also have an independent review process to ensure that customer complaints and concerns are managed appropriately.

How our customers perceive the quality of our Fair Dealing processes is important to us. We seek their views through regular surveys covering all customer segments. The findings are used to improve our service standards to ensure we uphold strongly our commitment to treat our customers fairly.

My business philosophy is simple. You have to be honourable to yourself, you have to be honourable to your customers and you have to be honourable to your colleagues. This is especially so in the banking industry, where the confidence the customer has in you is key. Being honourable means you are not only doing what is right for today, you are doing what is right for tomorrow.

Mr Wee Ee Cheong
Deputy Chairman and CEO

Providing you with the right solution

At every point in addressing our customers' financial needs, whether for their personal or business matters, we look to provide them with the right solution. To be able to deliver upon this requires an unwavering focus on ensuring the products and services we provide, and how we harness technology and engage our minds all lead to making the lives of our customers better.

As an integral part of this, we hold Agile workgroups to build, to test and to pilot the products and services our customers require. This process has been complemented by our use of data analytics to help us understand and appreciate in sharp detail the needs and preferences of our customers. For example, by understanding where, when and how our customers use our ATMs, we are able to place the machines in locations that are most convenient for our customers. We have also reduced the time they spend on ATM withdrawals through the use of a single button for their most frequent withdrawal amounts.

The UOB Mighty mobile app is another example of how we provide our customers with the right solution. The UOB Mighty app enables our customers to conduct their most frequent mobile banking transactions – paying bills and transferring funds – in a few easy steps. The app's dining feature makes it possible for our customers to receive recommendations on, and make bookings at, restaurants based on their preferred cuisine and location. This feature was designed around our customers' dining habits and interests and has proven extremely popular.



We provide our customers with solutions such as the UOB Mighty app to meet their lifestyle needs and preferences.

We also use digital channels to provide our customers with easy access to new services, products and promotions. Our use of social media, through the likes of WeChat and LINE in China and Thailand respectively, has seen more than three million followers of UOB's activities. This gives us a better understanding of our customers' preferences to tailor solutions to their needs.

We are making significant investments into nurturing Asia's financial technology startups through The FinLab. This joint venture aims to help develop innovative startups that are focused on creating solutions which we believe will make banking more intuitive and simpler for our customers.

Ensuring our people have the knowledge, skills and confidence to give our customers clear guidance is essential. Our core service training programme shows new hires how to make every customer experience delightful. Participants are trained to recognise our customers' different needs and expectations, as well as the importance our customers place on our going beyond the call of duty. In Singapore alone, our people dedicated more than 8,000 hours in training sessions last year to hone their craft in service excellence.

Knowing you personally

The key to knowing our customers personally is to ensure that in every interaction we have with them, we observe and listen carefully and thereafter apply our knowledge in innovative and meaningful ways to help them.

We also draw upon data analytics, behavioural economics and profiling to refine the development of our customised products and services.

In 2015, insight from consumer research and interactions was used to launch an improved UOB Personal Internet Banking service which made transactions easier and faster to use. UOB's revamped online banking service consolidated more than 80 services and grouped them into five categories so that customers could easily view their account balances and intuitively complete their transactions.

For our business clients, one of the ways in which we have anticipated their needs is through UOB's Foreign Direct Investment Advisory Unit. Our analysis of growing intra-regional investment was the basis on which we created the unit in 2011. As more clients sought to expand into new markets, we knew that to help ensure their success, a system and network of partners on the ground were necessary. This foresight has since enabled more than 700 clients to access a seamless service that has made their cross-border expansion possible.

Making banking feel consistent across every channel

As part of our omni-channel strategy, UOB offers a range of options for our customers to conduct their banking with us in person, through self-service machines, over the phone or online. We conduct extensive research and testing to ensure every touch point makes banking easy and convenient for them.

Every element of the customer experience is reviewed to ensure we meet our performance standards. These standards include minimal branch waiting times, fast service response time and high system availability.

Setting the standard for customer service

In 2015, we received 12,800 customer compliments in Singapore alone, a four per cent increase over the previous year.

UOB is also recognised at The Association of Banks in Singapore (ABS) Excellent Service Awards (EXSA). In 2015, 998 UOB employees were commended at the EXSA awards for their service excellence. UOB also received the highest number of Star Awards among the 13 participating banks and financial services institutions for the fifth year running.

Customers



998 of our employees were commended for service excellence at the ABS EXSA 2015.

We also take part in industry surveys, including the Customer Satisfaction Index of Singapore, a respected industry benchmark administered by the Singapore Workforce Development Agency and Singapore Management University. In 2015, our score of 71.6 was an improvement over the previous year and above the national average. Our Call Centre in Singapore also won seven awards at the Contact Centre Association of Singapore's annual awards ceremony held in October.

Being there when it matters

Offering the right guidance

We put our customers' interests at the heart of all we do but what they want is not always in their best interests.

For customer service officer, Toh Wee Keong, one such customer remains firmly in his mind. As did many of our customers during the year, she wanted to open a Gold Savings Account as a means to save and to invest. However, she neither understood the product nor its risks. Wee Keong reviewed

her circumstances and knew the product was not suitable for her. He took the time to explain to her the product till she understood the concerns raised.

Wee Keong's focus on providing the right guidance exemplifies UOB's promise to its customers that we will do what is right for them.

Doing what is right isn't always easy. You have to know what you are doing before you can say that you are doing the right thing. We have to think of the customer's interests first and put aside our targets. I think it is extremely important that we deliver and we give what we promise.

Toh Wee Keong
Customer Service Officer, UOB Serangoon Gardens Branch



Providing clarity and insight

When it comes to growing a business, the right banking partner can make a world of difference. For Michelle Seng, Assistant Vice President, Group Transaction Banking, this means providing sound advice and a guiding hand as businesses venture into new markets.

When one of Michelle's corporate clients clinched a contract to supply products to a buyer overseas, they needed to issue a letter of credit (LC) to their supplier in China. To provide the client with more flexibility given their limited trade line, Michelle proposed a transferable LC. As this was unfamiliar to the client, Michelle painstakingly provided clear, thorough and prompt advice which gave the client the understanding and confidence to proceed in making the right financial decisions.

We had little experience using an LC for trade. And when we had to handle an LC of a substantial value, we were apprehensive and hesitant. We were glad we chose to use the services of UOB, primarily because we had Michelle to hold our hand. Michelle was extremely patient, highly responsive and was most helpful with her professional and objective advice.

UOB Client

Supporting through good and bad times

UOB is committed to seeing our customers through good and difficult times as we want them to know that they can always count on us.

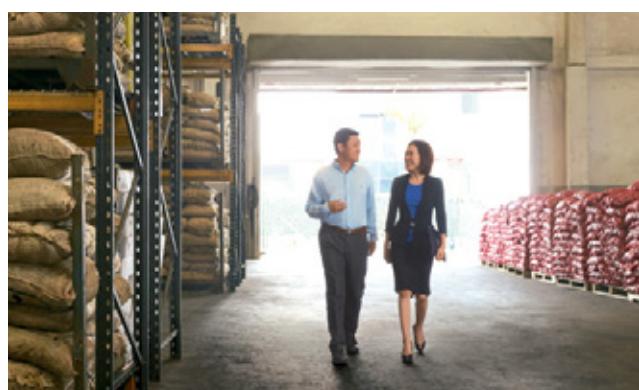
Branch manager Carene Ng once managed the business banking needs of a particular client, Mr Ang Hock Chwei. When the client was having difficulty refinancing his loans with other banks, Carene offered her help and developed a refinancing solution that saw the client's business grow and expand.

There's no one solution for every customer. So it is very important to let the customer know that they can count on me. I am committed to help our customers find the best solution for their business needs.

Carene Ng
Branch Manager, New Bridge and Tanjong Pagar Branch

Carene is responsible and is someone whom I can rely on. We can tell her our problems and she will help us. She treats us like friends. We treat her like family.

*Ang Hock Chwei
UOB Client*



Customers

Addressing immediate and future concerns

At UOB, we believe in nurturing long-term relationships. For small businesses, this is particularly appreciated when they face challenges over time, given the nature of their businesses and as they grow and expand. One in two small businesses in Singapore maintains a banking relationship with us.

Relationship manager, Neo Jia Wei, is an example of how we take the time to understand our customer's business intimately and what the challenges and opportunities are so that we are always prepared to help them through economic cycles. Jia Wei's customer in the manufacturing industry was facing working capital issues and said he was not receiving the necessary support from other banks. Jia Wei recommended the UOB BizMoney account for the customer to address their immediate challenges. Subsequently, Jia Wei offered a trade line to help their business grow. This also helped them to negotiate better terms from their increasing number of suppliers for their expanding business.

Jia Wei has shown his sincerity to us, his customer. After getting our loan approval, he introduced us to a trade facility product. He has our utmost trust. Through his passion, I could see he was very keen for UOB to be our business partner. We are pleased that UOB has such responsible and loyal staff as Jia Wei. I am glad to say that I will always support UOB because of instances like this.

UOB Customer

Right By You

We launched a regional brand campaign to show our values-based approach to serving our customers through generations. The campaign, consisting of six advertisements and a television commercial, introduced our strapline, "Right By You".



Group Retail

Our Group Retail business is focused on providing our personal and business banking customers with financial solutions tailored to their specific needs and to help them manage their money wisely at home and overseas. Our customers have access to a suite of deposit, insurance, card, investment, loan and trade financing products as well as wealth management advisory services which are available across our global branch network.

2015 Highlights

- Generated 11 per cent year-on-year increase in revenue led by strong growth in credit cards and wealth management activities; grew our deposits base by 6.8 per cent.
- Supported our customers in their search for higher yield with the UOB Income Builder Solution and the UOB ONE account.
- Harnessed new technologies to make mobile banking easier for our customers with the UOB Mighty app in Singapore, the UOB Privilege Banking WeChat account in China and the LINE app in Thailand.
- Opened our first Wealth Banking Centre in Thailand to serve a growing pool of young affluent customers in Bangkok.
- Applied insight into customers' travel patterns to the new UOB PRVI Miles Card that offers benefits usually reserved for locals in Singapore, Indonesia, Malaysia and Thailand.
- Introduced the UOB Medical Concierge service for our regional wealth management clients who often fly into Singapore for healthcare and medical services.
- Addressed rising demand for private bank advisory services by increasing the number of our relationship managers by 48 per cent from the year before.
- Grew Business Banking operating profit by 31 per cent through our deep understanding of our customers' needs, consistent delivery of relevant products and swift service with a personal touch.



We design our products and services such that they can help our customers plan, save, invest and spend in accordance with their needs and lifestyles.

Our Customer-focused Business

Our customers' financial future is as important to us as is their present. Whether their needs are simple or complex, our solutions address their personal or business banking priorities, and our expertise and insight help them attain their financial goals.

We attend to our customers' needs in ways that best suit their lifestyles and preferences. Our strong customer relationships are founded on our intimate understanding of who they are, what they hold precious and what influences them. Our broad range of products and services is designed to help them plan, save, invest and spend in accordance with their needs and as they progress through the different stages of life.

Group Retail

UOB's retail banking business is focused on three key areas:

1. Helping our customers save for their future and invest wisely to grow their wealth,
2. Harnessing digital technology to provide a simple and consistent banking experience, and
3. Providing convenient payment options that match the lifestyles of our customers.

These priorities are infused into the products and services that we offer to our Core Banking customers, as well as to those in Wealth Banking, Privilege Banking, Privilege Reserve and UOB Private Bank.

The full spectrum of our wealth management customers starts with those who hold at least \$100,000 of assets under management (AUM). More pertinent to us than their AUM, however, is knowing what is important to our customers as they go through life's many stages and what their financial goals are each step of the way. This deep understanding enables us to think ahead for them.

At the most basic level, they require simple investment solutions that extend beyond cash savings and help generate passive income. For the emerging affluent, many of whom are young professionals and young families, we help them prepare for life's milestones such as planning for their new home, a baby or their children's education. We also help them prepare for a time when work ceases to be about earning money but about the pursuit of their passions or hobbies. For our wealthy and high-net-worth clients, we want to ensure they understand that investment risks are controllable but returns often are not – a fundamental learning that is underappreciated. This principle is infused in our approach to advising our wealthy clients.



We opened our first Wealth Banking Centre in Thailand to serve the needs of young affluent customers.



Our approach to wealth management is based on a deep understanding of our customers' financial needs, risk appetites and lifestyles.

Our team of dedicated relationship managers and product specialists also work together to bring our clients the full franchise value of UOB with advice on investment opportunities, portfolio management and retirement planning. These services and products of various levels of sophistication are available throughout our Asian network of 52 dedicated wealth management centres, with UOB Private Bank serving our ultra-high-net-worth clients exclusively. Our Private Bank clients can depend on our strong in-country presence across Asia and deep local market insights as we work with them to grow and to preserve their wealth for future generations.

Our small business customers are also served through UOB's Group Retail segment. This is because the nature and size of their businesses mean that their requirements are closely intertwined with their personal banking needs. UOB's commitment to supporting the ambitions of our Business Banking customers is rooted in the entrepreneurial expertise that we have built up over our 80-year history. Our approach to working with small business owners is to harness the strengths of UOB's franchise to deliver straightforward banking solutions that match the needs of their businesses – from sole proprietorships to small- and medium-sized enterprises (SMEs). We are committed to placing the interests of the customer first and to stand by them through business cycles.

Our personal banking and business banking services are complemented by our 500-strong integrated branch network and 1,700 automated teller, cash deposit, coin and cheque machines in Southeast Asia and China, and in key cities around the world. Our customers can also bank with us easily online and via their mobile devices.

2015 Performance

In 2015, steady economic growth in Asia and increasing middle class affluence continued to be key growth drivers for the Group Retail business. UOB's astute market insights and strong wealth advisory services helped our customers as they sought new avenues of gaining higher yield. The value we provide customers through our customised financial solutions led to solid growth in 2015.

Overall revenue for Group Retail registered an 11 per cent year-on-year growth. With prudent management of expenses and targeted investment in building our capabilities, we kept expense growth to 9.3 per cent. As a result, the cost-to-income ratio for Group Retail was maintained at 53.2 per cent and the return on assets (ROA) at 1.2 per cent. The total operating contribution of the retail business to the Group grew by 14 per cent due to increased fee income and a larger client base.

In anticipation of possible future interest rate increases, we intensified our efforts in garnering deposits with a unique UOB ONE Account bundled solution for Core Banking customers which drove stable and active current and savings account balances as well as active card spend. The account was successfully launched in Singapore where more than \$1 billion has been deposited since its launch. Overall, our total retail deposit base strengthened by 6.8 per cent compared with the previous year. This net growth in balances also contributed to improved net interest income from deposits.

In wealth management, the total assets under management of the Bank stood at \$85 billion at the end of 2015, up 77 per cent from the \$48 billion five years before. Our wealth management customer base almost doubled to 205,000 over the same period.

Business Banking's operating profit grew 31 per cent in 2015, making it the fastest growing business unit within the UOB Group for the second consecutive year, and a significant contributor to the Group Retail business. Prudent cost management and improvements in sales productivity also resulted in an improvement in ROA to 2.32 per cent. Nearly 50 per cent of Business Banking's operating profit came from Indonesia, Malaysia and Thailand where we continued to support our customers' businesses and growth plans given the increasing affluence and domestic consumption in these countries. Deposits in Business Banking accounts increased with our growing customer base and the strong product prepositions we create for our customers such as the BizTransact current account.

Outlook

In 2016, we will continue to enhance and invest in the capabilities and platforms that we have developed over the past year. With volatility in the markets expected to be a concern for our customers, we will focus on helping them adopt a holistic approach to investing their savings. We will do this using our core investing strategy that is built upon the basic tenets of

diversification and the compounding effect. We will continue our efforts to provide tailored products and solutions to our wealth management customers using a more refined customer segmentation approach that takes into closer consideration their lifestyles and financial goals.

We want to ensure our customers experience a consistent quality of service whether they conduct their banking transactions at the branch, online or on their mobile devices. To ensure we plan around their present needs and stay relevant in their future, we build digital capabilities into our approach. This is at the core of how we read our customers' behaviour to understand them better, how we design our products and services, in the partnerships we strike that would bring substantial benefits to our customers and in ensuring every encounter they have with us is an enriching experience. In 2015, we transformed the ways our customers bank digitally by revamping our Personal Internet Banking and public website for retail clients and by launching a new mobile banking, lifestyle and payments app, UOB Mighty. We intend to build on these successes in 2016 by harnessing the advancements in technology.

As part of our customer-centric service model, we will focus on re-engineering our processes to make them more intuitive for our customers, to improve efficiency and to lower costs and error rates.

In Business Banking, we are scaling up our lending portfolio with an effective underwriting model and process customised for small businesses. With this credit model, we will deliver a superior customer experience with improved turnaround times, streamlined document requirements and a reduction in the number of touch points needed to complete a single process. With advanced risk decision-making capabilities from our dedicated analytics team, we are able to offer appropriate solutions to customers that best suit their needs and risk appetite.

Personal Financial Services

Helping customers safeguard assets and gain greater yield

Low interest rates and huge liquidity in the market led to more competition for deposits with banks focusing on transactional deposits. We sought to help our customers extract the most value from their money without them having to alter their banking behaviour. In understanding their transaction patterns – spending on credit cards, depositing salaries, having standing payment instructions – we created the UOB One Account enabling our customers to earn more on their deposits. Based on the frequency of their transactions, they could enjoy interest rates ranging from 1.5 per cent to 3.33 per annum with the UOB One Account. This new approach enabled us to attract more than \$1 billion of stable deposits from the launch of the product.

Group Retail



Making Dreams a Reality

We asked our customers to share their financial dreams and the means to achieve them through the **UOB Income Builder Dreams Contest** in 2015. More than 4,000 people wrote to us about their financial dreams which ranged from buying a house and paying for their children's education to becoming a successful entrepreneur.

To help our customers manage their investments better, we introduced the UOB Income Builder. This is an holistic approach to investing. It focuses on helping customers build passive income through an accumulation of core investments which are relatively stable and offer diversification. The UOB Income Builder approach is based on selected funds that invest across geographies and asset classes such that no single component can significantly impact performance. The funds are actively managed and overseen by professional fund managers. The approach draws on the evergreen investment principles of time, diversification and the compounding effect to help customers achieve a regular income stream and fulfil their financial aspirations. Since its launch, our customers have invested \$2.5 billion through the UOB Income Builder approach as more Singaporeans become increasingly aware of the benefits of shifting their financial planning focus from saving only to saving and investing.

The UOB Income Builder was also well-received as an alternative investment option by investors who wanted to diversify from an over-reliance on capital appreciation in light of the cooling Singapore property market.

Home ownership however, remained one of the top aspirations of our customers. With this in mind, we introduced SIBOR Flex, a home loan that offers customers a combination of stability and flexibility. Homebuyers can enjoy the stability of a 12-month SIBOR rate for the first year of the loan with subsequent years pegged to the three-month SIBOR rate.

Making banking simpler with technology

With the mobile phone being an indispensable lifestyle device, we harnessed new technologies to make banking easier for our customers. In 2015, we introduced a new mobile application, UOB Mighty, which enables our customers to digitise their UOB credit and debit cards with their NFC-enabled Android smartphones instantly and make contactless payment wherever it is accepted in the world. Unlike other contactless payments whereby there is a blanket limit set on the transaction amount, payments made through UOB Mighty have no limit other than the customer's own credit or debit card limit.

Our customers were also the first outside of the US to make contactless payment via tokenised security set in their Android smartphones. Tokenisation encrypts a customer's card payment data on the mobile device to protect sensitive card information. Our customers simply launch the UOB Mighty app, select the 'Pay' function, enter a PIN and tap to pay at any NFC-enabled terminal worldwide.

The UOB Mighty's simple and intuitive user interface enables our customers to perform daily banking transactions in just a few easy steps, pay bills and transfer funds on the go. Beyond banking functions, we added a lifestyle element to UOB Mighty based on our understanding of our customers' behaviour, and in particular, Singaporeans' love of food.

UOB Mighty's dining feature offers customers a suite of dining-related services including a directory of more than 3,000 restaurants. Customers can search for restaurants, make bookings and pay with UOB Mighty or a physical UOB credit or debit card. After payment is made, they are prompted to submit a review based on the quality of food, price and service.

The information we gather from usage of the app enables us to delve deeper into understanding our customers' dining preferences and patterns. This enriches our insight as we develop more offerings around their lifestyles and expectations.

This tailored and localised approach is also applied in our engagement with customers in regional markets where local social chat apps and social media platforms are popular. In China, we use a WeChat account to offer our high-net-worth Privilege Banking clients the latest updates on our products and lifestyle offers, while the LINE account is tailored to the needs of retail banking customers. More than three million follow UOB's WeChat and LINE activities in China and Thailand.

Responding to our customers' changing online banking patterns and pace of life, we also revamped the UOB Personal Internet Banking website to make bill payments and funds transfers 20 per cent faster. With more than 85 per cent of UOB's customers using online banking services and two out of five accessing the service through a mobile device, we simplified the layout and navigation of our online banking website which can also be accessed through any mobile device. The new layout has grouped banking functions and services into the four most frequently-used categories so that customers can more easily move, manage, view and grow their finances. UOB's online banking website also has various sidebar tools from which customers can choose to access information on their chosen unit trusts or to track selected foreign exchange rates.

With more customers investing their money online, the new website will also enable them to place structured deposits, purchase unit trusts and invest in gold and silver. Today, close to 80 per cent of gold trading through the UOB Gold and Silver Savings Account is performed online.

Delighting our customers with rewards and rebates

In 2015, we continued to expand the depth and range of our card products to match our customers' lifestyle needs. With our cardmembers not only travelling more, but also spending more in Southeast Asia than anywhere else in the world, we refreshed the UOB PRVI Miles Card for our customers to enjoy benefits normally reserved for locals in Singapore, Indonesia, Malaysia and Thailand. Knowing that the benefit that appeals most to the frequent traveller is air miles, we ensured that the UOB PRVI Miles Card offers our cardmembers faster air miles earn rates than other cards in the market. In Singapore, where the card has been popular for some years, take-up for the refreshed card grew 191 per cent with billings increasing by 46 per cent year on year. Demand for the card was also strong with customers in Indonesia, Malaysia and Thailand where it was introduced for the first time in 2015.



The UOB PRVI Miles card was introduced to customers in our regional markets including Indonesia, Malaysia and Thailand in 2015.

We also apply our knowledge of our customers' travel patterns on the ground to make them feel special. In Singapore, we partnered with Paragon shopping mall which is frequented by locals and affluent regional visitors. As part of the tie-up, we offered discounts, complimentary limousine rides, coffee vouchers and exclusive gifts to all UOB cardholders, regardless of their home country, during the end-of-year shopping season.

We strengthened the offers available on a number of our most popular cards including the UOB Delight Card and the UOB One Card. In celebration of Singapore's Golden Jubilee, we introduced a limited-edition UOB One Card in gold with a cash rebate of up to five per cent on all spend, making it the most generous cash rebate card in the market. Following its launch, the number of customers who applied for the UOB One Card doubled and billings grew by 20 per cent year on year. Our UOB Delight Credit Card, a co-brand card in partnership with Dairy Farm Singapore, was also enhanced with more benefits for daily items such as groceries, pharmaceuticals, transport, utilities and dining.

Wealth Management

Asian perspectives for managing wealth

UOB's approach to managing our customers' wealth is based on a deep understanding of their present and long-term financial needs, risk appetites and lifestyles. Our wealth management philosophy rests on putting the customer at the heart of all that we do:

1. Clients before products – We take the time to understand our clients' needs and aspirations to provide suitable and relevant solutions and advice.
2. Risks before returns – We ensure clients understand and appreciate the risks associated with their investments, and do not overlook or fail to grasp fully the associated risks.
3. Goals before opportunities – We help our clients prioritise their goals in view of specific market opportunities so that they can meet their long-term financial ambitions.

Ours is a tailored approach which takes family, business and lifestyle needs into account for our Wealth Banking, Privilege Banking, Privilege Reserve and UOB Private Bank clients. Whether they are young families, affluent professionals, entrepreneurs or sophisticated investors, our clients can be assured that we take the time to consider their specific concerns and needs before offering thoughtful financial advice and customised solutions.

Demand for our wealth management services increased amid growing consumer affluence in Asia and a search for greater yield in a low-interest rate and low-rental environment. With continued market volatility, we also focused on helping our clients protect their assets and diversify their risk. As a result, our wealth management business registered income growth of 16 per cent in 2015.

Group Retail

We continued to expand our regional wealth management business with targeted branch openings in affluent neighbourhoods. For instance, we opened our first Wealth Banking Centre in Thailand at the upmarket Siam Paragon shopping mall in central Bangkok to serve a growing pool of affluent young professionals. Our relationship managers and product specialists are there to provide them with financial advice on topics such as planning for their children's education and their own retirement.

As for our clients' healthcare needs, we expanded our menu of lifestyle privileges with the UOB Medical Concierge service for our regional clients who often fly into Singapore for check-ups and other medical services. The Concierge service, offered in partnership with Parkway Hospitals Singapore, is available around the clock to our Privilege Banking and Privilege Reserve clients from Singapore, Malaysia and Indonesia. It helps them schedule their appointments speedily and arranges their hospital admission. UOB is also the first bank in Singapore to offer a telephone medical triage service which directs clients to the most suitable medical specialists based on their medical needs.

Private Bank: Growing wealth and preserving it for the next generation

The UOB Private Bank is dedicated to managing the wealth of our ultra-high-net-worth clients, and preserving their wealth for generations to come. We offer them dedicated advisory and customised solutions that draw on the Bank's full suite of personal, business and investment services as part of our one-bank approach.

Many of our clients are first-generation Asian entrepreneurs with unique personal and business banking needs. After decades of banking with us, a number of our clients are now focused on succession planning as they hand over the reins of their businesses to the next generation.

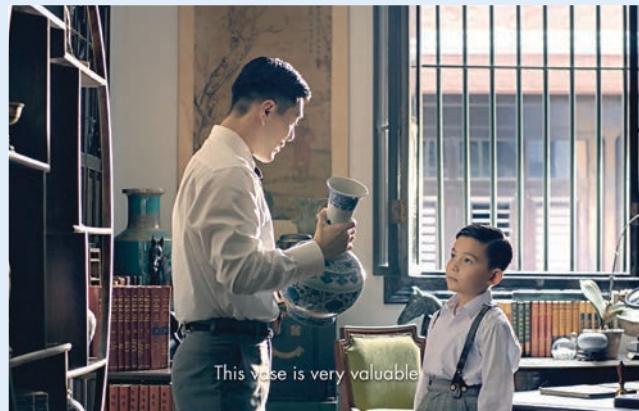
The priority our clients place on protecting their wealth and growing it for the next generation is closely aligned with UOB's own long-term approach to building for the future. We are guided by this deep appreciation of our clients' needs in our investment strategy which focuses not just on the now but the next years to come.

The success of our Private Bank lies in our sound investment strategies, the rigour of our market analysis, the calibre of our people and the industry knowledge of our client advisers. We make sure our people are equipped with the knowledge and the sensitivity to serve ultra-high-net-worth clients with a special touch. This is achieved through the selective hiring of individuals with the right skillsets and values to build a sustainable franchise.

In order to meet the rising demand for our wealth management advisory services, we increased the number of our relationship managers by 48 per cent from a year ago. Our 2015 Private Bank income grew 48 per cent year on year. We will continue to invest in new products, platforms and most importantly, our people in the years to come.

Defining Principles

The importance we place on shared principles was brought to life in an award-winning UOB Private Bank television campaign. It reaffirms our commitment to helping our clients leave a lasting legacy for the next generation and to our own long-term approach to building for the future.



Business Banking: Helping small businesses realise their potential

We understand that small business owners are unique in that their personal and business banking needs are often intertwined. It is with our knowledge and appreciation of their priorities that 100 of UOB's retail branches across Asia offer the convenience of Business Banking services under the same roof. Our range of products and services matches their needs as they progress through different stages of their business and growth cycles: account and fund transfer services for basic transactions, lines of credit for working capital and capital investment, and trade and foreign exchange services for local and overseas business needs.

Our deep understanding of our customers' needs, consistent delivery of relevant products and swift service with a personal touch are the reasons behind our consistently strong performance over the past four years. UOB is now the preferred banker to more than half of all small businesses in Singapore and we have a strong presence in regional SME markets.

In 2015, we offered our customers strong product propositions such as transactional accounts featuring benefits tailored to help small businesses save on costs and maximise returns on their deposits. For instance, in Singapore we offer BizTransact, a current account with attractive transactional benefits such as free payroll transactions and discounted outward telegraphic charges. In Indonesia, the GIRO 88 current account offers the additional benefit of tiered interest rates for higher deposit bands.

In light of the economic uncertainties, we launched an analytics-driven credit approvals-in-principle campaign for our loyal customers. We studied account transaction behaviours to be able to provide credit-worthy customers with additional overdraft or term loan facilities that were welcomed in the challenging operating environment. Fee income from such facilities together with income from trade and foreign exchange services helped us grow total income by 19 per cent in 2015.



We offer Business Banking services in 100 of our retail branches across Asia.

In a tough credit environment, many small businesses find they need working capital urgently. Through our BizMoney loan we were able to offer the speed and convenience these customers require. The BizMoney loan enables business owners to apply for a line of credit with just their bank statements and have their applications processed within three days. The keyman insurance offered as part of the package also provided business owners with the peace of mind of protection. The product contributed seven per cent of Business Banking's income.

Building on the success of BizMoney, we embarked on a two-year credit excellence initiative in 2015 to improve our credit underwriting model and process for a better customer experience and improved risk management. By the end of 2016, we intend to make our loans application process even smoother and faster for customers by reducing processing times by 75 per cent and by cutting down the paperwork required for the application process across all markets.

In helping our customers increase efficiency and save costs we introduced the UOB Payroll service. It addresses a new Singapore government requirement for small businesses to issue itemised payslips and key employment terms, and to maintain detailed employment records. The UOB Payroll service, which comprises a UOB Business Banking operating account and HREasily payroll software, enables small businesses to pay their employees in a few easy steps and saves them at least 40 per cent in payslip management costs. The service also eliminates the need for manual payslips which can be complicated and time-consuming for small businesses to produce.

Over the next three years, we expect a greater number of our small business customers to expand overseas and to find new outlets for their products and services. To support their ambitions, we have deepened our expertise in the areas of international credit and risk management, trade financing and regional regulatory frameworks so that we are better equipped to help our customers seize the opportunities in new markets. In this regard, our bankers are trained to the highest standards through the UOB-SMU Banker's Executive Certificate programme. Administered by the Singapore Management University, it is the finance industry's first tertiary education programme designed for small business bankers.

Group Wholesale Banking

UOB's Group Wholesale Banking is dedicated to helping companies and institutions of all sizes and complexities achieve their strategic objectives. We accomplish this by providing our clients with tailored financial solutions and advice to help them optimise their business operations and cash flow, manage risk, expand their operations, enter into new markets and manage their capital needs. Our unique combination of local, in-country presence and expertise, astute Asia market insights and regional network connectivity enable us to unlock Asia's potential for our clients.

2015 Highlights

- Generated 12.7 per cent year-on-year revenue growth led by Commercial Banking, Financial Institutions and Transaction Banking activities. The strong performance in 2015 helped raise the five-year compounded annual growth rate (CAGR) for Wholesale Banking to 11.8 per cent.
- Expanded client coverage by establishing dedicated teams for financial institutions and financial sponsors, expanding coverage of Commercial and Corporate Banking teams throughout Southeast Asia and Greater China, and developing financial supply chain management specialists.
- Increased product and technology investments to enhance our ability to deliver sophisticated product solutions including domestic and regional cash management, trade finance and Global Markets solutions.
- Expanded our regional network with new branches in Myanmar, China and Hong Kong and increased the availability of services across our expansive branch network in Southeast Asia.
- Increased our Foreign Direct Investment Advisory Unit's ability to support clients expanding into new markets by executing four new Memorandum of Understanding agreements with government agencies and private sector organisations across Asia.
- Initiated support of Asia's start-up community through a joint venture with Temasek Holdings to provide venture debt financing.
- Received 33 business awards for our local and regional cash management services, and trade finance solutions across Asia.



A loan signing ceremony followed the opening of our new Yangon branch.

Our Customer-focused Business

We apply to each of our clients the experience and expertise we have developed over our 80 years of helping businesses expand across Asia. Our Asian heritage and vast local experience give us strong insights into what is unique to ASEAN and throughout Asia, as well as to our clients' businesses. Through our extensive branch network in ASEAN and our integrated Asian network, we provide seamless, cross-border banking solutions to help our clients manage and expand their businesses within and across borders.

We are closely attuned to the needs of our clients across geography, industry and size including small- and medium-sized enterprises, regional and multinational corporations (MNCs), banks and non-bank financial institutions. A significant portion of these clients has banked with UOB across generations of management and ownership. The value we place on building enduring relationships is reflected in our ability to retain primary bank status with these clients, as well as in winning new business consistently.

We drive and sustain a culture that focuses on client needs. Our Client Segment Coverage Teams of Commercial Banking, Corporate Banking and Financial Institutions are further aligned along country, industry and segment lines that combine to help our clients meet their strategic objectives. As business priorities and operational complexity change at each stage of our clients' growth, Client Teams were set up to provide customised banking and financial risk management services to meet the specific priorities of these clients.

Our Client Teams integrate relationship managers with product specialists in Transaction Banking, Investment Banking and Global Markets to provide a full suite of solutions including working capital and term lending, cash management, trade finance, financial supply chain management, global markets and risk management solutions as well as capital-raising and advisory capabilities. Teams are measured on how well they meet the long-term needs of our clients and extend the full capabilities of our franchise to support these relationships.

Our deep client relationships are based on the premise that we care for our clients' businesses as if they were our own. We channel the same commitment that transformed us into a leading bank in Asia into helping our clients fulfil their Asian ambitions. They can depend on the strength and stability of one of Asia's leading wholesale banks. Our 'AA'-rating, strong balance sheet, prudence and robust risk management practices are assurance that we are here for our clients for the long term.

2015 Performance

Despite the challenging macroeconomic environment in 2015, Wholesale Banking revenue grew by 12.7 per cent year on year, led by double-digit growth from Commercial Banking, Financial Institutions and Transaction Banking activities. Operating contributions to the Group grew by 13.3 per cent in 2015 as we prudently managed investments in line with new revenue opportunities. While net profit before tax was impacted by increased allowances made as we entered more challenging credit cycles, the year-on-year growth rate was a robust 7.8 per cent.

Revenue growth resulted from our greater focus on deepening existing client relationships even as we continued to gain market share with new clients who appreciate UOB's unique combination of Asian expertise, on-the-ground coverage, strong balance sheet and credit ratings.

Wholesale Banking also increased the diversity of earnings through a wider range of products for our clients. These have helped enhance our support of companies seeking opportunities outside of their home markets in Southeast Asia and Greater China, as well as global institutions and MNCs operating in the Asia region. Strong revenue increases in cash management and Global Markets reflect our broader capabilities as well as our clients' confidence in having UOB as a primary partner for growth.

Outlook

Macroeconomic conditions will remain challenging in 2016, driven by a combination of several factors – continued volatility in commodities pricing that impacted companies in oil and gas, shipping and other related industries; uncertainties caused by lower rates of growth in China and Western markets; and continued political risk in the Middle East. While the resulting impact on trade and investment flows will affect companies in Asia in 2016, we remain confident of the long-term fundamentals and opportunities in the region.

Asia is projected to account for a quarter of global consumption and more than 60 per cent of the world's trade by 2020. The expanding consumer base in ASEAN countries and Greater China will present clients with opportunities for growth that outpace other parts of the world. In addition, free trade and open market initiatives such as the ASEAN Economic Community, One Belt, One Road (OBOR), Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership will continue to influence and to drive our clients' investments in the region.

To support the long-term growth aspirations of our clients and our shareholders, we will continue to invest in enhancing our product offerings and network coverage capabilities to deliver innovative solutions across the region. Key areas where we will continue to make investments include cash management, financial supply chain management and in our partnership with Global Markets product teams. In addition, we will build on the strengths of our Commercial Banking, Corporate Banking and Financial Institutions teams as we enhance our onshore coverage of key markets such as Indonesia and Greater China.

With demand for Renminbi (RMB) financial solutions intensifying in tandem with China's rising economic influence as the world's largest trading nation, we will continue to strengthen our RMB capabilities to support our clients. Our RMB Solutions teams are closely attuned to the business impact and opportunities arising from the internationalisation of the RMB and apply this knowledge to meeting our clients' RMB needs in cash management, trade finance, foreign exchange, investment and hedging.

Group Wholesale Banking

Client Segment Coverage Teams

Commercial Banking: Connecting our clients with opportunities across Asia

Our Commercial Banking teams work closely with our clients to identify and to provide innovative solutions and services that enable them to grow their businesses. We increased our investments in-country and complemented these with initiatives focused on three key trade and investment corridors in Asia – between ASEAN and Greater China, within ASEAN, and within Greater China. We deepened our coverage of the Pearl River Delta and the Yangtze River Economic Belt, set up new branches in Hong Kong and China and expanded our cash management and trade finance product capabilities across ASEAN and Greater China. Our efforts position us strongly to support our clients as China's OBOR and the TPP initiatives lead to the emergence of large-scale infrastructure projects and increasing trade and investment flows along these trade corridors.

This year, we also expanded UOB's Foreign Direct Investment (FDI) Advisory Unit which provides comprehensive advisory services to clients as they expand into new markets. Our FDI Advisory teams have built a network of partnerships with government agencies, business forums, and policy and legal experts to support our clients as they consider strategic expansion in Asia. Over the past four years we have provided this unique service to more than 700 clients as they establish operations in new markets. Through our extended network of partnerships and our own local teams in market, we offer our clients unparalleled expertise that supports them at critical junctures of their business expansion.

To facilitate further intra-regional trade and investment opportunities for our clients in Asia, UOB signed four new Memorandum of Understanding (MOU) agreements with government agencies and private sector organisations in 2015. The first, with Indonesia's Investment Coordinating Board, will enable UOB's clients to apply for their Indonesia Principle Licence directly in Singapore without having to travel to Indonesia. With Vietnam's Foreign Investment Agency, UOB clients will receive help expanding into key investment destinations in Vietnam such as Ho Chi Minh City, Hanoi, Da Nang and Hai Phong. We also signed an MOU with the China Council for the Promotion of International Trade Suzhou to help Jiangsu-based companies seize business opportunities in Southeast Asia. Our MOU with Thailand's largest listed conglomerate in the industrial estate sector, Amata, will give clients of both parties access to business referrals through each other's network.

In enhancing our support of our clients, Commercial Banking strengthened its teams covering China, Hong Kong, Taiwan and Indonesia. We also sharpened our focus on opportunities arising from investment flows and market developments for our clients. For instance in Myanmar, which is fast developing, we opened a new branch in Yangon offering cash management, corporate loans, trade and project financing to clients with interests in the country. UOB is one of a handful of foreign banks to have been given a Foreign Bank Licence in Myanmar.



We broadened the reach of our banking network in Southeast Asia and Greater China with the opening of new branches in Hong Kong, Myanmar and China.



Our strategic partnerships, including the collaboration with Indonesia's Investment Coordinating Board, enable us to help our clients expand their businesses within and across borders.

UOB also entered into an agreement with Temasek Holdings to encourage the development of new entrepreneurs and startups in Asia by helping them accelerate their commercial viability and increase the value of their businesses. The UOB-Temasek joint venture, InnoVen Capital, will support startups in China, India and Southeast Asia to obtain venture debt financing without having to pledge additional collateral or to dilute their stakes in the company. InnoVen Capital will provide up to US\$500 million in venture debt loans over the next five years to high growth, innovative startup companies operating in sectors such as technology, consumer, healthcare and clean technology.

Our strong client focus and coverage led to double-digit year-over-year revenue growth for the Commercial Banking business in 2015, driven by increased activity with existing clients as well as new client acquisitions across the markets in which we operate.

Corporate Banking: Supporting the ambitions of our corporate clients

Large Asian corporations as well as US and European MNCs that operate in the region are served by our Corporate Banking client teams. Our deep understanding of their business concerns, combined with our investments in regionally-integrated product platforms in cash management, trade finance, financial supply chain management and Global Markets enable us to provide them with sophisticated solutions that address their cross-border and multiple-market needs.

The ability of UOB to provide multiple product solutions across the region has been a key differentiator in our success with large corporate clients. For example, we successfully helped CTCI Corporation, Taiwan's largest engineering, procurement and construction (EPC) company and a Top 150 Global Design Firm, meet the requirements of their cross-border business through our ASEAN platform in Singapore, Malaysia and Thailand. In 2015, we provided a bundled package of performance bonds, trade finance and cash management solutions to support CTCI's EPC contracts in Malaysia. We also provided hedging solutions to mitigate CTCI's exposure to currency volatility.

The combination of our local market knowledge and regional expertise enables UOB to deliver innovative solutions that drive bottom-line benefits for clients. In 2015, we delivered cash management solutions that increased operating efficiencies for our clients and maximised returns for corporate treasurers. One of the clients that benefitted from this was YCH Group for whom we structured a cross-border cash sweep in the Shanghai Free Trade Zone between its subsidiaries and the company's headquarters in Singapore. This solution helped to make our clients' cash management more effective, thereby reducing their overall funding costs.

With UOB's support we have been able to centralise the management of our funds and this has helped us to improve our cash flow management as well as to reduce the cost of capital.

Mr Roger Yap
Deputy CEO of Greater China, YCH Group

To help our clients manage risk in the increasingly challenging macroeconomic environment across Asia, our client teams worked with Global Markets to provide solutions such as commodity hedging for mining, agribusiness and oil and gas companies as well as interest rate and foreign currency hedging for the wider portfolio of clients. UOB offers customised hedging solutions beyond vanilla currency and rates products, as exemplified in the coal hedging solution that we provided to a subsidiary of Banpu PCL, a leading regional mining and power company with operations spanning Asia Pacific. The commodity hedging solutions that we designed for them were part of Banpu's risk mitigation strategies to counter volatility in the commodities market.

Group Wholesale Banking

We also developed debt and equity capital raising solutions tailored to the long-term ambitions of our clients and helped them ease through the regulatory and operational complexities of managing their cross-border business.

In 2015, our Client Teams also leveraged the Bank's extensive geographic footprint and Transaction Banking product capabilities to develop comprehensive supply chain solutions for our large corporate clients. These solutions drive efficiencies while providing our clients' suppliers with competitive financing options. We also worked in partnership with the FDI Advisory Unit to ensure large corporate clients and MNCs derive maximum returns from their new investments in Asia.

Corporate Banking's comprehensive approach to client solutions led to year-on-year revenue growth of nine per cent for the business in 2015, despite the impact to our structured trade commodities revenue stream caused by volatility in commodity prices and the slowdown in trade with China.

Financial Institutions Group: Partnering to help Asian economies grow

Our financial institution clients are essential intermediaries in the developing financial markets of Asia and are key contributors to economic growth. Through our involvement and partnerships with these clients, UOB helps contribute to the development and progress of the region's financial sector.

These clients are supported by the Financial Institutions Group which provides for their funding, trade financing, cash management, hedging and capital market needs. Just as we do with our corporate clients, we harness the strengths of our franchise and on-the-ground presence to help our financial institution clients grow their businesses across Asia.

In 2015, targeted investments were made to expand our coverage of this client segment with specialist teams being formed to serve banks, insurance companies, sovereign wealth funds, central banks, asset managers, global property funds and other diversified financial entities. We also added to our suite of product solutions in the areas of trade finance, rates and currency derivatives, investment solutions and specialised finance structures.

One example of our collaboration with financial institutions is our work with Indonesia Eximbank (IEB), a state-run Indonesian bank. UOB was one of the mandated lead arrangers, underwriters and bookrunners (MLABs) on a US\$1 billion syndicated loan used to provide financing to support Indonesia's cross-border trade. We also provided IEB with advisory on treasury and alternative fundraising solutions in the capital markets.

IEB is proud to have worked with UOB as one of MLABs in our recent successful US\$1 billion loan syndication. This is the second time we appointed UOB as MLAB as we take comfort in their commitment and professionalism. This last particular deal met our funding expectations at the right target price and brought in new lenders to us.

Mr Basuki Setyadjid
Managing Director, IEB

Our Financial Institutions teams leverage our extensive network across Asia to connect clients to opportunities as we work with global institutional investors to source for good assets. One such client is Phoenix Property Investors, a private equity real estate firm that focuses on investment opportunities in Asia. In addition to helping the client manage market and liquidity risks, UOB provided financial solutions and advisory services for their acquisition financing and capital market fundraising.

UOB's specialist bankers across the region have in-depth local market insights and a strong understanding of our business requirements. As such, they are able to provide us with customised solutions to help us capture market opportunities in Asia at the right time to meet our investment needs.

Mr Samuel W Chu
*Managing Partner and Chief Investment Officer,
Phoenix Property Investors*

Our support of financial institutions has driven strong revenue growth of more than 30 per cent in 2015 as we expanded our client portfolio and deepened our partnerships with leading firms across the region.

Specialised Products and Solutions

Group Transaction Banking: Creating client value through working capital, cash flow and liquidity solutions

Wholesale Banking continued to invest in cash management, trade finance and financial supply chain management to ensure that we provide our clients with the most innovative and seamless solutions to meet their domestic and increasingly complex regional operating requirements.

Overall, our Transaction Banking business performed strongly in 2015, growing by more than 15 per cent and contributing to more than a third of total revenue of Wholesale Banking, on the back of increased client demand for our services from companies investing in Asia.

To provide market-leading support to our clients in all segments in 2015, our Transaction Banking teams enhanced UOB's cash management solutions, strengthened our financial supply chain management capabilities and continued to roll out the UOB BIBPlus electronic banking platform. We also introduced virtual accounts to help our clients manage their account receivables efficiently.

Through the enhancements in cash management, we help our clients improve their operating efficiencies in managing payments and collections, optimise their cash flows, and effectively maximise their returns.

As a result of our continued client-focused approach, our cash management business recorded strong year-on-year revenue growth of more than 40 per cent in 2015.

We also created value for our clients by developing greater consistency and transparency in the pricing of our term deposits portfolio. These improvements were made by managing the alignment of the Bank's long-term deposit strategies with our clients' cash management requirements. These actions also improved the quality and diversification of the Bank's deposit profile.

We selected UOB as our cash management bank as they are able to offer unique 'against-the-sun' funds flow and innovative liquidity solutions to optimise our group's internal cash flow. Being headquartered in Singapore, UOB will undoubtedly be a long-term, committed banker to us in Asia.

Mr Chew Siang Chee
Asia Treasurer, Mercuria Group

SapuraKencana's relationship with UOB stretches back a good number of years, and has been stronger year on year. In 2015, we awarded SapuraKencana Drilling's cash management business to UOB. The bank has provided strong advisory on transaction work flow which helps in our cross-border and multi-currency payments and collections. Today, UOB processes all our cross-border payments, payroll and collections with maximum efficiency and lower costs.

Ms Chow Mei Mei
Senior Vice President, Group Strategy and Finance,
SapuraKencana Petroleum Bhd.



Group Wholesale Banking received 33 awards from across the region in 2015.

Group Wholesale Banking

We are also complementing and enhancing our proprietary development of financial supply chain management solutions. We collaborate selectively with strategic FinTech companies to provide comprehensive solutions for the diverse and rapidly changing requirements of large corporations and MNCs with suppliers based in Asia. For example, we successfully implemented regional solutions for a large MNC client with suppliers from Singapore, Malaysia, Thailand and China.

Committed to advise and to act in the best interests of our clients, we have also invested in training for our sales teams and relationship managers to deepen their knowledge of financial supply chain management issues and solutions.

Macroeconomic issues including commodities' price volatility, lower growth rates in China and margin compression challenged our trade finance performance in 2015. Despite these headwinds, our volumes remain strong and are showing signs of recovery and growth.

Our efforts were recognised by the industry with Wholesale Banking receiving 33 awards from across the region. These include a record 28 awards for Best Overall Cash Management Services in both domestic and cross-border categories across China, Malaysia, Singapore and Thailand at the 2015 *Asiamoney* Cash Management Poll. We also received four awards at *The Asset* Triple A Treasury, Trade and Risk Management Awards 2015, namely Best SME Trade Finance Solution in Indonesia, Best Trade Finance Solution in Thailand, and Best in Treasury and Working Capital for SMEs, as well as the Editors' Triple Star BizSuper in Thailand. We also won *The Corporate Treasurer's* Best Trade Finance Strategy award in the Asia's Best Treasury and Finance Strategies category.

Group Investment Banking: Providing value-added financing and advisory solutions to our clients

We continued our investments to deepen our capabilities, particularly in corporate finance advisory solutions. Together with established capabilities in debt and equity capital markets, we were able to deliver an improved platform to our clients as they expanded and grew their businesses organically or via event-driven opportunities.

In 2015, the Debt Capital Markets team was ranked among the top arrangers across Asia (ex-Australasia and Japan). UOB was one of the MLABs for Indonesia Eximbank's US\$1 billion Dual Tranche Credit Facility, which subsequently was awarded the Best Syndicated Loan in 2015 at *The Asset* Triple A Country Awards 2015 and Syndicated Financial Institution Deal of the Year at Asia Pacific Loan Market Association's (APLMA) 5th Asian Pacific Syndicated Loan Market Awards 2015.

Other award-winning transactions arranged by the team include the HK\$40 billion term loan facilities for Cheung Kong Property, which was one of the largest financing deals of its kind in Hong Kong. It won Syndicated Deal of the Year at the APLMA 5th Asia Pacific Syndicated Loan Market Awards 2015. Our US\$1,500 million term loan facility for Reliance Industries Limited was also awarded Syndicated Corporate Deal of the Year by APLMA and Best Syndicated Loan at *The Asset* Triple A Regional Deal Awards 2015.

UOB successfully lead-managed over 70 local bond transactions across the region in 2015. In the local currency fixed income sphere, we reinforced our position as a leading regional player. We were one of the top four bookrunners in the Singapore dollar bond market, a reputable lead manager in the Malaysian ringgit bond market and one of the top underwriters for corporate bond issuances in the Thai baht bond market.

In the Singapore bond market, UOB's support for our clients was demonstrated via several notable deals that were executed. We acted as the sole lead manager and provided the credit wrap for PT Logindo Samudramakmur Tbk's S\$50 million five-year credit enhanced notes. We were the sole arranger of Roxy-Pacific Holdings Ltd's debt issuance programme and raised S\$60 million for the company via a maiden issuance of three-year notes, against a backdrop of volatile market conditions. Amid keen competition, we secured the role of a joint-arranger and lead manager for Singapore Technologies Telemedia Pte Ltd's establishment of a S\$2 billion multi-currency medium term note programme followed by a debut issuance of S\$300 million 10-year notes. UOB was also involved in benchmark Basel III-compliant subordinated Tier 2 capital issuances for several foreign financial institutions, including ANZ's S\$500 million 12 non-call seven-year ("12NC7"), BPCE SA's S\$150 million 10.5NC5.5 and BNP Paribas' S\$250 million 10NC5.

In the Thai baht corporate bond market, UOB (Thai) successfully lead-managed 48 issuances for clients including several leading Thai bond issuers in various industries.

Our team in Malaysia successfully arranged and placed-out for UOB (Malaysia) Bhd's Basel III-compliant Tier 2 subordinated bonds of RM1.0 billion which were 2.2 times over-subscribed by a broad range of investors.

In addition, our Equity Capital Markets team in Singapore emerged as one of the top two issue managers by initial public offering deal count in 2015. Despite the challenging equity market conditions, we acted as issue manager, underwriter and placement agent for the two largest Catalyst listings of the year, for Jumbo Group Limited and Soo Kee Group Ltd, both of which are prominent local businesses and established UOB clients.

Global Markets and Investment Management

Global Markets and Investment Management (GMIM) is responsible for developing the financial products and solutions that help our clients manage market risks and capture the right investment opportunities across different asset classes. We also manage the Bank's funding and liquidity in accordance with statutory requirements and optimise the Bank's assets within our risk framework. We ensure UOB's long-term stability through our prudent approach to managing liquidity and maintaining balance sheet strength.

2015 Highlights

- Extended the reach of our Global Markets specialists by expanding our Sales and Structuring teams particularly across Asia.
- Deepened clients' access to Asian and global exchanges with UOB Bullion and Futures' (UOBBF) new Intercontinental Exchange (ICE) Clear Singapore clearing membership and Singapore Exchange (SGX) securities trading membership.
- Provided institutional and retail clients with direct access to mainland China's onshore fixed income market with UOB Asset Management's (UOBAM) first Renminbi (RMB) onshore fixed income fund.
- Reinforced our solid industry reputation when we were named "Bank of the Year" at the *Futures and Options World Magazine Awards* for Asia 2015 and with UOBAM garnering a total of six awards regionally.



We help our clients make informed decisions through in-depth market insights and timely advice.

Our Customer-focused Business

GMIM provides a comprehensive suite of financial products and solutions to help our clients manage market risks, and to create investment opportunities for them across asset classes including foreign exchange (FX), interest rate, credit, commodities and equities. We also offer our clients investment management services through our subsidiaries, providing them the opportunity to invest in our retail unit trusts, exchange-traded funds, funds of funds, private equity funds and customised portfolio management services.

To help our clients make informed decisions in the volatile market environment, we tap on our extensive knowledge of Asian markets to provide them with in-depth market insights and timely advice. Working together with client segment relationship managers, we develop customised solutions based on our deep understanding of the unique needs of each client. We approach the management of our clients' investments and business risks with the same dedication and care that we apply to our own business. In this way, we build strong and enduring client relationships.

Global Markets and Investment Management

2015 Performance

Income derived from the products and services we offer to the Bank's Group Retail and Group Wholesale Banking customers is reflected in the performance results of the respective customer segment.

Overall, income reported in the customer segments grew by more than 20 per cent in 2015 as we expanded our Sales and Structuring teams to attend to more clients and helped them address concerns over rising interest rates and volatile FX markets. In addition, greater interest for yield-enhanced investment structures especially from our non-bank financial institution clients had also contributed to the income growth. GMIM's profit, however, decreased 32 per cent in 2015, mainly due to lower income from market-making and banking book/central treasury activities.

Outlook

The economic slowdown across the globe and in the region looks set to continue in 2016. Divergence of monetary policies among the central banks and concerns over China's outlook and currency are expected to be among the key factors affecting the financial markets. GMIM will continue to invest in resources and capabilities to build a sustainable customer-focused business franchise and to assist our clients in mitigating the impact of these market risks.

As a result of the implementation of more stringent financial regulatory requirements to strengthen the resilience of the global banking system through the Basel III reforms, greater emphasis had been placed on banks' capital quality and liquidity. In this regard, GMIM is committed to ensuring UOB's long-term stability through the prudent management of the Bank's liquidity. We will maintain our disciplined and measured approach in ensuring a robust capital position and strong balance sheet strength which have earned us top credit ratings.

Global Markets Sales and Structuring

Helping our clients manage market risks and volatility

In January 2015, the Swiss National Bank unexpectedly gave up the FX rate cap that limited the value of the Swiss franc against the euro. Adding to the resulting FX volatility was China's surprise devaluation of its currency during the year as markets remained cautious of the potential impact from the increase in US interest rates. On the commodities front, the market was weighed down by an oversupply in crude oil and the slowdown in China's manufacturing sector.

Amid these developments, we helped our clients manage their FX and interest rate risks, with our Global Markets specialists keeping in close contact with them, providing deep market insights to enable our clients to make timely hedging decisions. Through understanding our clients' requirements, priorities and risk appetites, we were able to customise solutions tailored to their needs and also to introduce financial derivatives to reduce further their cost of hedging. We also helped clients to capitalise on market opportunities arising from interest rate differentials between onshore and offshore markets to lower their funding costs while keeping FX risks in check.

The drop in oil prices provided opportunities for companies who relied on oil for their operations to hedge against price risk. We engaged our clients to recommend suitable hedging strategies and executed hedge programmes which provided much-needed cash flow stability for their business planning. Apart from oil hedging, our Global Markets specialists also offered hedging solutions for precious and base metals clients, especially for those in the Greater China region. Catering to the increasing demand in hedging for a wider range of commodities, we began offering hedging solutions for sugar, soybean and gasoline for clients in Asia.

To help meet the investment objectives of our retail and corporate clients, our Global Markets specialists capitalised on market opportunities to provide customised structured investment and yield enhancement solutions appropriate for their risk profiles. In 2015, equity-linked and currency-linked structured products as well as corporate bonds remained the most popular investment products. However, with commodities falling to fresh lows, we also offered short-term yield enhancement opportunities with notes linked to commodity markets. For example, we introduced to our Privilege Banking, Private Bank and corporate clients a short-term structured note linked to crude oil which proved profitable for the investors.

In line with the Bank's regional strategy, we expanded our sales and structuring teams across Asia extending the reach of our Global Markets specialists to clients. With our extensive regional network, we are best-positioned to assist companies seeking expansion beyond their home country into Asia. Our deep understanding of the regulatory restrictions of Asian currencies enable us to provide solutions to address clients' concerns about market risks across geographic borders. A regional sales team, based in Singapore, was also set up to provide clients with holistic cross-border funding and hedging solutions.

Group Bullion, Brokerage and Clearing

Connecting clients to exchanges around the world

In line with the growing sophistication of the derivatives market in Asia, we have seen an increase in client trading volumes in products such as leveraged FX, bullion, over-the-counter derivatives, futures and options, commodities and securities on exchanges around the world.

Our clients have access to 21 major Asian and global exchanges including the ICE Clear Singapore clearing membership that our brokerage arm, UOBBF, obtained in 2015. This membership has enabled us to provide timely and reliable clearing services to support our clients' trading needs for ICE products during regular business hours in Asia. UOBBF was also one of the first clearing brokers to clear contracts listed on ICE Clear Singapore on its launch day, clearing more than half of the contracts available that day.



Our clients are able to gain better access to Korea's financial markets through UOBBF's MOU with KOSCOM.

We also became an SGX Securities Trading Member during the year to serve our clients engaging in more cross-asset trading to diversify their risks amid the market volatility. The trading membership complements our existing derivatives clearing membership and allows us to offer equity trading services to institutional clients, and accredited and expert investors.

UOBBF also signed a Memorandum of Understanding (MOU) with KOSCOM Corporation (KOSCOM), a Korean financial IT solutions company, in May 2015. This enables our clients to tap on KOSCOM's technology and infrastructure to gain better access to Korea's financial markets. This collaboration also allows KOSCOM's clients in Korea to capitalise on our trading network to transact in stocks, derivatives, FX and commodities that are available on the major exchanges in Asia, Europe and the US.

Our enterprising spirit and comprehensive clearing and brokerage services were recognised when UOB was named Bank of the Year at the *Futures and Options World Magazine Awards* for Asia 2015.

UOB Asset Management

Facilitating our clients' investments across asset classes and geographies

GMIM's suite of investment products extends to retail unit trusts, exchange-traded funds and customised portfolio management services through the Bank's asset management arm, UOBAM. In 2015, we tapped on our multi-asset expertise to launch the Asia Multi-Asset Monthly Income Scheme in Singapore to help clients invest in income-generating funds while also protecting their savings from erosion through inflation.

As part of our continuous efforts to widen our range of products, UOBAM signed an MOU with Wellington Management in May 2015 to develop investment solutions specifically for UOBAM's increasingly sophisticated client base in Asia. One such product is the United Income Focus Trust, a global multi-asset fund that provides investors with a secure income stream through a flexible asset allocation strategy.

The collaboration with Wellington Management brings together the complementary strengths of UOBAM's strong investment expertise and extensive distribution capabilities across Asia and the Wellington Management Group's global asset investment industry experience. During the year, we also deepened our strategic partnerships with Ping An Trust and with Sumitomo Mitsui Asset Management to expand the range of investment opportunities for our clients in China and Japan.



Through our collaboration with Wellington Management, UOBAM is able to bring a wider range of investment solutions to our clients.

Global Markets and Investment Management

UOBAM is now able to provide onshore RMB solutions to both institutional and retail clients, offering them direct access to mainland China's onshore equity and fixed income markets. This is enabled by a RMB1.2 billion Renminbi Qualified Foreign Institutional Investor (RQFII) quota we received from the State Administration of Foreign Exchange of China in June. The United China Onshore Fixed Income Fund was introduced in December 2015 while another two China onshore RQFII funds, the RMB onshore money market fund and RMB onshore equity fund, will be launched in the region in 2016.

UOBAM's performance continued to garner industry recognition. We won a total of six awards including those for the United SGD Fund at *The Edge*-Lipper Singapore Fund Awards and for the United Global Healthcare Fund at Lipper Fund Awards Taiwan. In addition, the United Emerging Markets Bond Fund was awarded the Best Fund over 10 Years in Fixed Income Funds by Taipei Foundation of Finance-Bloomberg. UOBAM (Thailand) was named by *World Finance* as the Best Investment Management Company in Thailand, and was ranked second among Thailand's Top Investment Houses in Asian currency bonds at *The Asset* Benchmark Research Awards. UOBAM (Thailand) was also named the Rising Star by *Asia Asset Management* for its financial achievements, integrity, product innovation as well as high quality of service.



UOBAM continues to win industry recognition for our commitment to delivering client returns.

UOB Venture Management (UOBVM)

Providing financing to high-growth privately-held companies

UOBVM focuses on investing in high-growth privately-held companies in Southeast Asia and China through private equity funds. In 2015, it continued to seek investment opportunities in companies seeking growth and expansion. One of our significant investments of the year was in Appier, a Taiwan-based startup that uses artificial intelligence to predict consumer behaviour across various electronic devices. UOBVM was the lead investor in Appier's US\$23 million Series B funding, accounting for about one-third of the total funds raised.

UOBVM is also committed to investing in socially responsible companies by incorporating environmental, social and governance assessments in the investment evaluation process. During the year, UOBVM partnered with Credit Suisse AG to launch the Asia Impact Investment Fund, which invests in high-growth companies in Southeast Asia and China that integrate low-income communities into their operations and supply chains. Through this fund, investors have the opportunity to improve the livelihood of low-income workers in the region.

People

Led by the vision and experience of our leadership, and guided by our values, our people are committed to advise and to act in the best interests of our customers. We treat our people with care and respect and nurture them through our development and welfare programmes. In valuing talent and expertise, we attract, develop and retain the best people to help our customers meet their financial needs.

2015 Highlights

- Progressed deeper appreciation of the importance of living the UOB values across the organisation.
- Encouraged enterprising thinking and acquisition of digital skills among our colleagues with digital technology and innovation programmes.
- Deepened our pool of talent with the inaugural *U Unlimited* campus recruitment drive at Singapore's top universities.
- Championed inclusiveness through a work-hire partnership with the Autism Resource Centre for people with autism to work at UOB Scan Hub.
- Showed our appreciation for our people with a special employee package, comprising special leave and a \$100 stored value card, to celebrate UOB's 80th anniversary.

Our Approach – UOB Employee Commitments

We uphold four employee commitments based on the UOB values as part of our people management strategy. These commitments and the programmes which are designed around them are overseen by Group Human Resources.



Honourable

Do what is right

We work in partnership with each other focusing on what is right and proper in achieving shared successes for the organisation. Our courage to make the right decisions is founded on experience and sound judgement. We conduct ourselves in a manner that ensures our decisions are always carried out in the interests of our organisation, teams and people.



Enterprising

Build meaningful careers

Individual success is important to us. We believe in bringing out the best in everyone through professional development and empowering people to take ownership of their career paths. By understanding the aspirations of individuals, we are able to develop valuable and meaningful careers. We encourage enterprise and ambition at all levels, helping each other to realise our full potential.



United

Make a real difference

We are united and motivated to make a positive impact to both our business and the communities we serve. Through our actions, we will shape our future and add value to the lives we touch. We are always there to support one another.



Committed

Lead by positive example

Our leaders are guided by our values, acting as role models, inspiring each of us to support our teams better. We are committed to challenging ourselves and taking ownership for our actions. Together, we focus on enabling the success and advancement of individuals and teams.

People

Doing what is right

Living our values

Our values – Honourable, Enterprising, United and Committed – guide how we behave as employees of UOB – towards each other as colleagues and to our customers. These values give us a shared sense of identity and belonging and encourage us to keep raising the standards on our performance and behaviour in service of our customers. They guide our business approach, training and talent development programmes and performance management process. In living our values, we draw out what we believe makes UOB relevant to our customers and distinct in the banking industry.

In 2015, we helped our people to appreciate more deeply the importance of living the UOB values in daily interactions with each other and with customers. We ran training programmes and workshops structured on this theme across the organisation. These were complemented with additional programme content which was made available through employee communication channels such as our intranet, a microsite and mobile app.

To reinforce the importance of living our values, a significant values component was added to the performance assessment structure for senior executives in 2015. This model will be applied across all levels in 2016.

More information on performance and compensation can be found in the Remuneration section of this report

Upholding the highest professional and moral standards

Our values are at the core of the UOB Code of Conduct which sets out the principles of personal and professional conduct expected of our people. As stewards of our customers' wealth, our people are expected to live up to the highest standards of integrity and accountability.

The Code of Conduct also reflects the Bank's commitment to ensuring equality of opportunity to all our colleagues on the basis of merit and a safe working environment that is free from discrimination, bullying and harassment. All new colleagues are informed of their obligations and rights under the Code of Conduct during our orientation programme. Others have to complete an e-learning module annually to refresh their Code of Conduct knowledge.

As part of our commitment to upholding the highest professional and moral standards, we maintain a zero-tolerance policy for bribery and corruption. All are expected to conduct business activities in full compliance with applicable laws and regulations in the jurisdictions in which we operate. As part of our culture of encouraging openness and accountability, we provide an avenue under UOB's Whistleblowing Policy for our people to raise concerns on any actual or suspected wrongdoing through a confidential and anonymous hotline. Our people have our assurance that they will be protected from any repercussions for whistleblowing in good faith.

More information on our compliance practices can be found in the Regulators section of this report.

Maintaining strong labour relations

Through fair and open communication, UOB enjoys a productive and collaborative relationship with various employee unions in the key markets in which we operate. Under prevailing labour laws, eligible employees are able to join labour unions relevant to the banking industry.

Building meaningful careers

Investing in training and career development

At UOB, it is important that our people not only have the right skills, but also the right mindset and uphold the values that will build and maintain the trust we have earned from our customers.

Recognising that digitalisation is one of the key trends that will continue to shape the industry, we held two employee development programmes. These focused on encouraging enterprising thinking and developing digital skills within the Bank. In November, we held UOB's first innovation workshop and employee hackathon at The FinLab, an innovation centre focused on creating solutions for financial services. The FinLab is a partnership between UOB and Infocomm Investments Pte Ltd. More than 150 employees from across the Bank participated in the sessions to design commercially viable solutions for real-life banking challenges. Technology experts guided the participants on app design and pitching, while UOB mentors provided advice and perspectives on customer experience, business realities and feedback to challenge the teams.



Our colleagues challenged themselves to design innovative banking solutions at the employee hackathon held at The FinLab.

UOB's FinTech hackathon is a great move by the Bank to encourage innovative thinking among employees. I enjoyed learning new things about the idea design and pitch process, as well as meeting colleagues with a similar passion to improve our products and services through new technology.

Mr John David Yap
Risk and Decision Management, Group Retail

Innovation was also the theme of the 2015 UOB Summit programme for more than 3,000 colleagues. Under this initiative, UOB reinvested into career and personal development courses with grants that the Bank received under the Singapore government's Wage Credit Scheme¹. In 2015, more than 5,000 training places were offered on a range of courses on innovation, productivity, service excellence and IT skills. UOB is the first bank in Singapore to launch such a Wage Credit employee development initiative to help people cultivate the habit of lifelong learning.

We encourage our people to be proactive in their own professional training and development. Through the Strategise, Engage, Execute and Develop (SEED) Foundation Programme, managers identify the training they require to improve their effectiveness, interpersonal and managerial skills.

Grooming future leaders

We take a holistic approach to identifying and developing prospective leaders through the UOB talent management programme. This includes recruitment drives at top educational institutions, a 16-month Management Associate Programme for high-potential undergraduates and graduates, in-house training at the UOB Leadership Academy and a succession planning framework.

In 2015, we held the first *U Unlimited* event for undergraduates from Singapore universities. At the event, UOB senior executives and management associates hosted student forums on overcoming challenges during the transition from school to the workplace. They also shared the opportunities available at UOB and advised the students on preparing for a career in banking. Insight was also shared over tea networking sessions.



UOB senior executives hosted student forums at the *U Unlimited* event to share their experience with undergraduates in Singapore.

Fresh graduates keen to take on leadership and regional roles within the Bank are encouraged to apply for UOB's Management Associate Programme. It provides an accelerated induction in different aspects of the business and training in a wide range of core competencies and technical skills. This year we emphasised the importance of cross-team and cross-country collaboration with a joint induction and work attachment programme in Singapore involving all Management Associates from across our network. Following a comprehensive and rigorous selection and assessment process, 36 graduates from top universities were admitted to the 2015 cohort.

1. Under the Wage Credit Scheme, the Singapore government co-funds 40 per cent of the gross monthly wage increase given over the period of 2013 to 2015 and 20 per cent of the wage increase given over 2016 to 2017. Eligible employees are Singaporean employees earning a gross monthly wage of less than \$4000.

People



The 2015 graduating cohort of the UOB Management Associate Programme.

Professional development for our high-potential employees is also provided by the UOB Leadership Academy. The Academy runs a suite of programmes designed to develop leadership skills and to prepare managers to implement and to manage change. It also offers senior leaders coaching on making a strategic impact across the organisation.

To ensure leadership succession is sustained, we have enhanced our succession planning and development efforts. Through our annual Group Organisation and People Review programme, we identify key talents and potential leaders from across the Group. We nurture such talent with mentorship programmes and place them on job rotation to give them exposure across the breadth and depth of various disciplines and across countries.

Making a real difference

Caring for our people

At UOB, we look after the well-being of our colleagues and are committed to providing our people with a conducive environment based on the principles of care and respect.

As part of this belief, we promote a healthy work-life balance for our people by offering flexi-work arrangements, as well as family care and childcare leave days. In 2015, we doubled our paternity leave in Singapore to two working weeks to give the fathers among our colleagues the option to spend more time with their newborns. This benefit is in addition to Shared Parental Leave where the new father can share one working week of his spouse's maternity leave allocation.

Our care for our people also extends to ensuring their health and safety at the workplace. All full-time permanent employees are enrolled in UOB's healthcare programme – Healthy Employees, Active Lifestyles or HEAL – which has comprehensive medical and healthcare coverage, as well as flexible wellness benefits. Our people are given HEAL dollar credits that can be spent on a wide range of health and wellness benefits for themselves and their dependents. These include health screenings, vaccinations, dental and optical treatments, gym memberships and health-related workshops. This programme also provides a counseling helpline for any under stress or facing challenges at work.

Taking care of our colleagues' welfare also means that we provide and maintain an office environment that is safe for our people. UOB's workplace safety policy and guidelines ensure that every measure is taken to eliminate health and safety risks. Such measures range from conducting regular checks at our offices and of our facilities and equipment, to implementing procedures for dealing with emergencies at the workplace.

Being an inclusive employer

We believe in the strengths of a diverse workforce and value the competitive advantages that it offers. In 2015, we partnered with the Autism Resource Centre's Employability and Employment Centre to hire people with autism for the UOB Scan Hub. This is the Bank's nerve centre for the verification, digitisation and archival of customer documents in Singapore. Our new colleagues are well-suited for the Scan Hub roles as the job draws on their particular strengths, those of unwavering focus and attention to detail.

Marking our 80th Anniversary with our Colleagues

To mark UOB's 80th anniversary and show our appreciation for our people, all full-time employees across the Group were hosted to celebratory tea parties and received a special package comprising additional leave and a \$100 stored value card. In recognition of their dedication and loyalty, all permanent employees across the Group also received a one-time cash gift pegged to their years of service.

It was a double celebration for our people in Singapore as everyone up to the vice president level received a \$1,000 cash gift and an extra day of annual leave as part of Singapore's Golden Jubilee.



Our colleagues were hosted to tea parties and received a special employee package as part of the Bank's celebrations.

Together with the ARC, we reorganised work processes, modified our office environment and developed structured training programmes to enable colleagues with autism to work at Scan Hub. These colleagues work under the guidance of on-site ARC job coaches who are specialised in helping them adjust to the working environment. Supervisors and other colleagues also receive guidance on working with individuals with autism. We also held a series of talks to provide our people with more insight into interacting with colleagues with autism and in turn helping them to succeed at the workplace.

Today, people with autism make up 30 per cent of the workforce at the UOB Scan Hub. For this inclusive employment initiative, UOB was recognised by the National Trades Union Congress (NTUC) with a May Day Model Partnership Award in the Management Category. UOB was the only bank among 106 awardees at the 2015 awards.

We also value our colleagues above the age of 60 for the experience and expertise that they bring to the Bank. We offer re-employment to those who reach the age of 62 as part of our Retirement and Re-employment policy. In addition, under our Return to Work policy, we provide modified or alternative employment to those returning to work after an extended period of absence due to an occupational or non-occupational injury or illness. We endeavour to match the best opportunity available to the skills and abilities of these colleagues to make it easier for them to adjust to the workplace upon their return.



UOB's inclusive employment initiative was recognised at the NTUC May Day Model Partnership Awards 2015.

We began our inclusive journey at the UOB Scan Hub with the vision to create meaningful and long-term job opportunities for our colleagues by understanding and focusing on their different abilities. It is heartening to see that this journey has touched the lives of many of our colleagues and their families. At the same time, the Bank has also benefitted from having a stable and reliable team of people who are committed and enthusiastic about their work because the tasks draw on the strengths that they possess.

Ms Susan Hwee
Managing Director and Head of Group Technology and Operations

People



Employees enjoyed growing their knowledge of art and sharing this with the younger generation.



Engaging our people

Employee engagement is integral to developing our people's sense of belonging at UOB. Through communication channels such as townhalls, dialogues and articles on the intranet, our people are kept informed of business developments, operational changes and the Bank's financial performance. They are also invited to participate in volunteer events and workshops which are organised as part of the Bank's community programme focusing on art, children and education.

More information on our community initiatives can be found in the Community section of this report.

Leading by positive example

Inspiring our people through role models

UOB is dedicated to improving the standards and competencies of professionals in the financial sector. The investments we make in our people not only sharpen our own competitive edge and strengthen our effectiveness as practitioners but also enable us to play a leading role in raising the standards of the banking industry.

In 2015, Ms Susan Hwee, Managing Director and Head of Group Technology and Operations, was conferred the title of IBF Distinguished Fellow by the Institute of Banking and Finance Singapore (IBF). This is the highest accolade bestowed by IBF to C-suite executives to recognise their professional achievements. As an IBF Distinguished Fellow, Ms Hwee serves as a role model, thought leader and mentor to help develop Singapore's financial sector.

IBF also awarded the IBF Fellow title to three senior executives from UOB: Mr Thio Boon Kiat, Chief Executive Officer of UOB Asset Management, Mr Sam Cheong, Executive Director and Head of Group Foreign Direct Investment Advisory Unit, as well as Mr Thomas Siah, Executive Director and Industry Group Head, Commercial Banking.

The IBF Fellow title honours industry veterans who demonstrate thought leadership and commitment to industry development. Along with the IBF Distinguished Fellows, the IBF Fellows will play a vital role in nurturing the next generation of talent for the financial industry in Singapore.



UOB was recognised at the IBF Distinction Evening 2015 for our commitment and contributions to Singapore's financial sector.



Recognised for their contributions to service excellence, our UOB Service Stars are also role models for our colleagues.

Among colleagues, we also motivate each other through sharing of best practices and experiences across a number of disciplines. For example, for service excellence, UOB's Customer Advocacy and Service Quality team regularly draws attention to the role models among our colleagues who have exceeded the expectations of our customers. These colleagues are not just the ones who interact most with our customers at branches, but also those who play supporting roles, for instance in business operations. Their experiences prove the value of each and every colleague's contribution to the customer experience, regardless of their roles and responsibilities.

In 2015, the UOB Service Stars Awards recognised more than 100 employees from various business and support units who have set the standard in keeping our customers at the heart of all that we do.

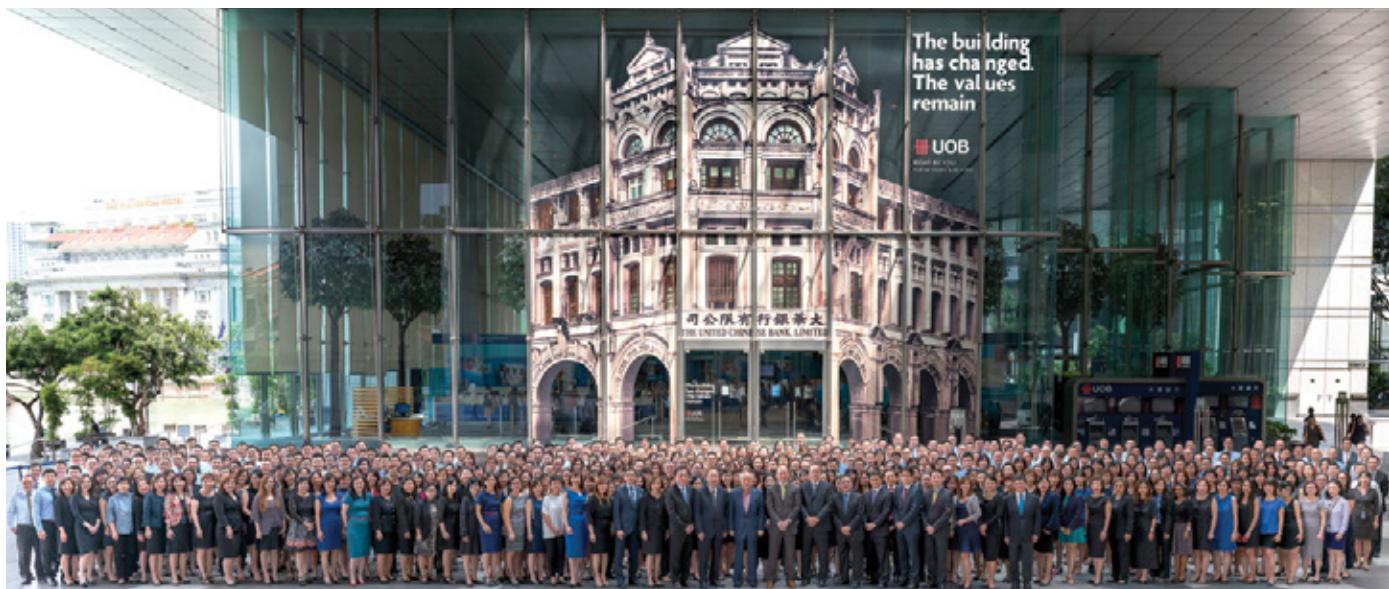
More information on our customer-related initiatives can be found in the Customers section of this report.

I expect everyone to lead by positive example. This is the only way we can build a sustainable business based on long-term customer relationships.

Mr Wee Ee Cheong
Deputy Chairman and CEO

People

Celebrating our 80th Anniversary across the Group



Our colleagues in front of the UOB Main Branch, which was dressed as the Bank's original headquarters, the Bonham Building, as part of our celebrations.

Our colleagues from around the world shared their birthday wishes for UOB.





UOB Chairman Emeritus and Adviser Dr Wee Cho Yaw and Singapore Prime Minister Lee Hsien Loong (in centre) led the cake-cutting on stage at our gala dinner in November 2015, accompanied by (from left to right) Managing Director of Monetary Authority of Singapore Mr Ravi Menon, UOB Chairman Mr Hsieh Fu Hua, Emeritus Senior Minister Goh Chok Tong, UOB Deputy Chairman and CEO Mr Wee Ee Cheong, and Deputy Prime Minister and Coordinating Minister for Economic and Social Policies Tharman Shanmugaratnam.



Community

Our values – Honourable, Enterprising, United and Committed – provide us with a deep awareness and keen appreciation of the countries in which we operate. Our commitment to, and interest in, the communities where our people and customers build their lives, ensure that we create programmes that provide meaningful support and leave a legacy. We focus on investing in what is important to the future of a thriving society and what will stand the test of time.



UOB volunteers with the children from Punggol Family Service Centre and artist Ms Lee Jia Zhen, winner of the Most Promising Artist of the Year award at the 2014 UOB Painting of the Year (Singapore) competition.

2015 Highlights

- Facilitated investments in infrastructure development projects in support of the economic and social progress of Myanmar.
- Initiated innovation and enterprise joint ventures to support Asia's startups.
- Championed Southeast Asian art through the new UOB Southeast Asia Gallery at the National Gallery Singapore which houses the world's largest collection of modern Southeast Asian Art, and the 34th annual UOB Painting of the Year regional competition; conducted community-based art classes for students.
- Provided education opportunities via the \$50 million Wee Cho Yaw Future Leaders scholarship awards and the UOB University Scholarship Programme in Myanmar.
- Supported our colleagues as they volunteered more than 23,500 hours to help local charities across Asia.
- Donated more than \$20 million to support the causes of those with special needs, children and the elderly.
- Raised awareness on inclusive business practices through the UOB Scan Hub and UOB Ability Hub.
- Made more than 20 per cent energy savings from two main office buildings in Singapore.

Ensuring sustainable economic growth

As a leading bank in Asia, we have an abiding commitment to encouraging business investment as a means of driving long-term economic growth and community development.

Encouraging long-term, strategic investments

As our business has grown over the last 80 years, we have built deep connections in all the markets in which we operate. We opened our branch in Myanmar in May 2015, one of only nine foreign banks having been granted a foreign bank licence to do so. We focus our efforts there on supporting clients whose investments are directed towards meeting Myanmar's growing urbanisation and industrialisation needs and long-term economic growth. This has involved UOB helping to facilitate investments in infrastructure development projects including the construction of three of the country's gas-fired power plants, essential for Myanmar's economic growth. Alongside supporting projects that create jobs for the people of Myanmar such as in the energy, automotive and tourism industries, we offer training and technical assistance to the local banking industry as it helps to manage Myanmar's rapid economic transformation. In Thailand, we have also opened a second Business Banking centre in Chiang Mai Province to support growing cross-border trade flows and increased tourism.

Through UOB Venture Management's Asia Impact Investment Fund, we have extended an opportunity for our customers to invest in socially responsible companies. Their investment supports companies creating employment opportunities and helping people living in low-income communities.

Supporting innovation and enterprise

To support more enterprise and innovation, we invested US\$100 million to acquire a 50 per cent interest in Temasek Holdings' subsidiary InnoVen Capital. This company provides US\$500 million venture debt financing to startups in China, India and Southeast Asia as they seek to build the businesses of the future in the areas of healthcare, clean technology and consumer services.

We also set up The FinLab, a joint venture with the investment arm of the Infocomm Development Authority of Singapore. Over the next two years, The FinLab expects to help at least 30 promising startups test and accelerate their businesses. We have also opened The FinLab to all UOB employees to help develop new, technology-based financial services. These initiatives support the growth of emerging industries and businesses and create opportunities for people to apply their enterprising minds to ensure they stay relevant in our increasingly connected world.

Nurturing Asia's small- and medium-sized enterprises

In Asia, small- and medium-sized enterprises are the bedrock of many local economies. In Singapore alone, such businesses account for 99 per cent of all local enterprises¹.

We understand the ambitions of such businesses because it was the same entrepreneurial spirit and determination to succeed that propelled our growth from a small local bank to a regional leader. We want to help businesses grow and, as a result, established the Asian Enterprise Institute, in partnership with the Singapore Management University (SMU). Since its launch in 2012, the UOB-SMU Asian Enterprise Institute has helped nurture more than 310 small businesses by providing business consulting services, research and industry insights.

Strengthening the social fabric

Our 80th anniversary provided the perfect canvas for us to share with our customers and the community our long-term commitment to supporting art, children and education. We conducted a range of activities throughout the year, each designed to celebrate and to strengthen the bonds within the communities in which we operate.

Connecting communities through art

One of the most significant and long-term commitments we made in 2015 was through our partnership with National Gallery Singapore (NGS) to promote Southeast Asian art. The UOB Southeast Asia Gallery is housed in NGS which holds the world's largest collection of modern Southeast Asian art – more than 8,000 pieces of art that capture the history, culture and creativity of our region. We also exhibit in NGS several historically important and formative pieces from our own collection including works by renowned artists Chua Ek Kay, Tan Swie Hian and the much-respected pioneer in the Nanyang Art style, Cheong Soo Pieng.



We partnered with National Gallery Singapore to champion Southeast Asian art.
(Image courtesy of National Gallery Singapore)

1. Source: SPRING Singapore, Grow Your Business, http://www.spring.gov.sg/Resources/Documents/Corp_Marketing_Brochure_Eng.pdf

Community



The UOB Art Gallery in Singapore is a public exhibition and educational space where we share our passion for art with the community.

A number of our paintings were also on display at a joint exhibition between NGS and National Museum China to inaugurate the new China Cultural Centre in Singapore in late 2015. The exhibition commemorated the 25th anniversary of the establishment of diplomatic relations between China and Singapore.

The UOB Art Collection, one which we have been curating for more than four decades, was also the focus of a special exhibition held at Singapore's Nanyang Academy of Fine Arts. The exhibition, titled *The UOB Art Collection: Drawing from our past, framing our future*, provided a rich, visual commentary on the region's economic and cultural transformation over many decades.

Our long-term commitment to art is principally demonstrated through our flagship art programme, the UOB Painting of the Year (POY) Competition – the longest-running art competition in Singapore. 2015 was its 34th year. The regional competition today is open to established and emerging artists from across Southeast Asia, and provides an avenue for them to showcase their talent to a wider audience. Local competitions are held in Indonesia, Malaysia, Singapore and Thailand. UOB then hosts each country's winning artists in Singapore as part of announcing the annual UOB Southeast Asian POY award winner. This year's winner was Indonesia's Mr Anngar Prasetyo for his painting titled *Exploitation of Fish*, a piece which provides a stark reminder of the consequences of over-fishing.

We are also grateful to the UOB POY alumni, who continue to partner with us on art education programmes. Under the UOB Heartbeat Volunteer programme, artists share their time and skill to hold art classes for children who are rarely exposed to art. In 2015, classes ranged from a creative art workshop with 2014 POY Singapore winner, Ms Om Mee Ai, to creating contemporary Chinese ink paintings for Mother's Day with 2014 POY winners, Ms Hong Sek Chern and Mr Chua Say Hua. The largest class we conducted was with inaugural POY winner Mr Goh Beng Kwan who helped children with special needs paint a two-storey high mural celebrating Singapore's Golden Jubilee. Themed *Home*, the mural comprises a collage of each child's drawing of the people and places closest to their hearts.



The 2015 UOB Painting of the Year's Most Promising Artist, Singapore, Mr Ezra Chan Yi, 16, was among the artists that the competition helped discover and nurture.



UOB regularly holds art classes for children in partnership with POY alumni and through the UOB Art Academy.

Our commitment to the region's artists also saw us host our first UOB POY exhibition in Malaysia. The well-received exhibition gave 12 local Malaysian artists an opportunity to share their latest works.

We also extended our support for the arts in Hong Kong through the creation of the UOB Art Academy. The Academy runs monthly workshops, forums, exhibitions and mentor programmes. All activities are designed for children with special needs and those from less privileged backgrounds.

Improving the future through education

We believe in preparing the younger generation for the future. In 2015, we launched the \$50 million Wee Cho Yaw Leaders Award scholarship programme. It was part of our 80th anniversary celebrations. The first cohort of scholars will be chosen in 2016, based on their potential to lead as well as their academic performance, community efforts and financial background. Each recipient receives funding to cover their university tuition and will be given an opportunity to build a career at UOB.

Our university scholarship programme in Myanmar is another example of our commitment to developing local banking talent and supporting the local financial sector. In 2015, UOB helped 15 outstanding students to further their education at the University of Yangon and the Yangon University of Economics. The scholars also completed an internship at the Bank to learn new skills and to prepare themselves for their careers after graduation.

As part of giving the younger generation a headstart in life, UOB began offering computer coding lessons for the children of our customers in 2015. Each Sunday, parents conducting their banking at our Serangoon Central and Jem branches are able to enroll their children in The Art of Coding lessons. The lessons teach the children the basics of software and application development.

We also provide financial literacy education programmes to children in Indonesia and Malaysia to equip them with tools and knowledge to understand the basics of sound financial management. More than 170 children have benefitted from such programmes that we ran in 2015.

Community



Every year, our people, their families and our customers across the region come together to raise funds for charity at the annual UOB Heartbeat Run/Walk.

Giving back to the community

The care and concern of UOB employees run deeply across all our offices. Testimony to this is the more than 23,500 hours our people volunteer to help charitable causes. On the same day every year we host the UOB Heartbeat Run/Walk across multiple countries. It is when UOB colleagues, their families, friends and customers unite as one to run or to walk to raise funds for those in need. In 2015, we set a new UOB Heartbeat Run/Walk fundraising record of \$1.3 million. These funds are channeled directly to beneficiaries that work to improve the lives of children, often those with special needs, and the elderly.

Our team in China donated school supplies to children in two remote schools. At the Central Primary School in Sichuan Province, 300 children received winter uniforms to keep them warm during the colder months, new school bags and stationery sets. At Liu Zao Primary School in Jiangsu Province, students now have access to a refurbished library, dance hall and music rooms as a result of the efforts of our people.



Our colleagues in China raised funds to provide the students at the Central Primary School in Sichuan with winter uniforms, school bags and stationery sets.

Enabling inclusiveness

UOB takes an active role in championing a more inclusive society. This might take the form of our own inclusive employment initiatives, exemplified by the award-winning UOB Scan Hub where people with autism are hired for roles requiring their particular strengths of unwavering focus and attention to detail. We take care in the design of our branches, being sensitive to those living with disabilities. And our people also make the time to support organisations dedicated to helping those with special needs, in the desire to help make a difference to their lives.



The UOB Ability Hub was built in partnership with the Community Chest and SG Enable.



The UOB Scan Hub is one example of how we support inclusion at the Bank.



UOB employees showing our support at the Purple Parade in Singapore, a movement that promotes the building of an inclusive society and celebrates the abilities of persons with special needs.

In 2015, we helped to set up a learning and development centre in Singapore for people with special needs. The UOB Ability Hub, built in partnership with the Community Chest and SG Enable, is a facility to provide on-the-job training, information services and job support for people with disabilities. The UOB Ability Hub also hosts the UOB Auditorium which is the first in Singapore equipped with hearing loop technology to improve the clarity of sound for the hearing impaired.

We also donated \$20 million, as part of our 80th anniversary, to charities that support those with special needs, children and the elderly.

Managing resources wisely

As part of our long-term approach to managing our business, we seek to reduce the environmental impact our operations may have on local communities. For example, over the last few years we have deployed digitisation technology to reduce the paper we use when opening customer accounts. In 2015, we continued to make operational improvements and recycled more than 5,000 tonnes of materials at UOB Plaza, and achieved more than 20 per cent energy savings from two of our office buildings in Singapore, UOB Plaza and Alexandra Road building. Our upgrading programme saw the buildings' air conditioner units replaced and energy-efficient LED lighting installed. Other improvements we made at UOB Plaza include rainwater harvesting and installing water-efficient fittings, providing Green Lot priority parking for hybrid and electronic cars, and bicycle parking lots to reduce the use of private cars. We also maintained almost 5,000 m² of landscaped gardens.

Investors

With the long-term interests of our investors in mind, UOB is focused on preserving the quality of our balance sheet to deliver stable and sustainable growth and returns. We are committed to maintaining effective and regular engagement with investors and analysts to keep them updated and to enable them to have an informed opinion on the Group's corporate strategy, operational performance and business outlook.

2015 Highlights

US\$8 Billion Global Covered Bond Programme

We launched our maiden US\$8 billion global covered bond programme in November 2015 to broaden our funding sources and to diversify our investor base into the institutional secured funding market. Backed by a selected portfolio of mortgage loans linked to properties in Singapore, the covered bonds, when issued, are expected to be rated 'Aaa' by Moody's Investors Services and 'AAA' by Standard & Poor's Rating Services. These strong ratings reflect the robust covered bond legal framework in Singapore, UOB's financial strength and the quality of mortgage loans originated by UOB.

Greater China Corporate Day

On 30 August and 1 September 2015, we hosted 20 banking analysts in Shanghai, sharing UOB's strategy, capabilities and progress in Greater China amid the economic trend of increasing connectivity between Greater China and Southeast Asia, as well as the demographic trend of growing consumer affluence in China. This event was timely as the analysts were able to gain a better understanding of the Bank's growth and development in light of ongoing concerns about the slowing economy and volatile market in China.

Overall, we came away positive on UOB Greater China's growth strategy which reflects the Group's commitment and focus as an international player in a large and growing market to capture the increasing business flows between China and Southeast Asia.

Ms Melissa Kuang
Analyst, *Goldman Sachs*

From our visit, we find that UOB's Greater China Strategy is well thought out and has been executed with care. This is in line with our previous report where we said that overseas growth can add 14.6 per cent to UOB's market cap by 2017.

Mr Nick Lord
Analyst, *Morgan Stanley*



Mr Eric Lian, President and CEO of UOB (China), and Mrs Christine Ip, CEO of UOB Hong Kong, updated analysts and investors on UOB's Greater China business.

Delivering Long-term and Sustainable Returns

Led by the vision and experience of our leadership, UOB has grown over the past 80 years to become one of the leading banks in Asia today. We remain focused on the fundamentals of banking, maintaining our balance-sheet strength and enhancing our capabilities to cater to our customers' needs.

Our fundamentals underpin our ability to stay resilient through market cycles to achieve steady earnings, and our commitment to deliver sustainable returns to our investors over the long term.

Dividends are usually payable on a half-yearly basis. Where applied, the scrip dividend scheme gives shareholders the option to receive the dividend in cash and/or new UOB shares.

Since UOB was publicly listed in 1970, we have consistently paid dividends to our shareholders through business cycles. To commemorate UOB's 80th anniversary in 2015 and to share our success with shareholders, we declared a special one-off dividend of 20 cents per share. Backed by our steady financial performance, we achieved a total annualised shareholder return of 5.0 per cent over 2011 to 2015, compared with Singapore's stock market average of 1.1 per cent¹.

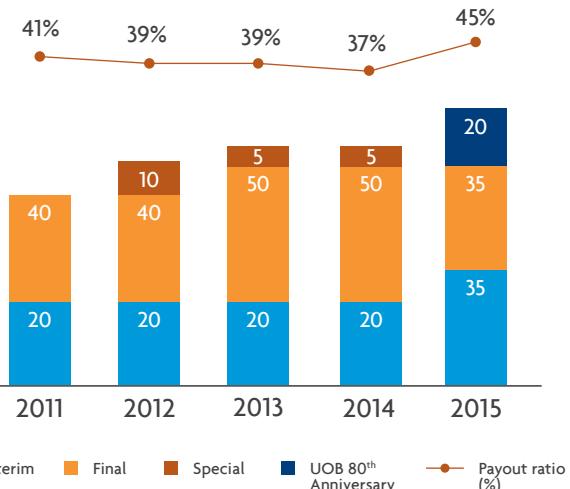
Selected Investment Metrics on UOB

	2011	2012	2013	2014	2015
Share price (\$)					
Highest	21.00	20.23	22.10	24.72	25.05
Lowest	14.42	15.15	18.63	19.40	18.20
Daily average	18.23	18.52	20.51	22.27	21.85
Last done	15.27	19.81	21.24	24.53	19.65
Price-to-earnings ratio (x) ^a	12.75	10.77	11.15	11.25	11.26
Price-to-book ratio (x) ^a	1.38	1.27	1.34	1.30	1.22
Net dividend yield (%) ^a	3.29	3.78	3.66	3.37	4.12
Return on average ordinary shareholders' equity (%)	11.1	12.4	12.3	12.3	11.0
Total annualised shareholder return over 2011 to 2015 (%)					5.0

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

We have consistently relied on our internal capital generation ability to support expansion plans, with the last major capital raising exercise being in 2001 during the Overseas Union Bank takeover. In 2015, we purchased 1.7 million ordinary shares for \$37 million, and we used 1.3 million treasury shares² solely to meet our obligations under the employee long-term incentive plans.

UOB's dividend per share (cents) and payout ratio for 2011-2015



We are among the few highly-rated banks globally, with strong investment-grade credit ratings of 'Aa1' by Moody's Investors Services and 'AA-' by both Standard & Poor's Rating Services and Fitch Ratings. UOB's proven track record is also reflected in the tight pricing and consistent oversubscription of the Bank's bonds and capital securities in the past few years.

1. Source: UOB, Bloomberg

2. Treasury shares are ordinary shares repurchased by the Bank and shown as a deduction against share capital. These may be sold; cancelled; distributed as bonus shares; or used to meet the obligations under employee long-term incentive plans.

Investors

Regular And Transparent Communications with Investors

We are committed to maintaining regular and transparent communications with the investment community, including our shareholders, investors, shareholder proxy voting agencies, equity and fixed-income analysts and credit rating agencies. Our investor relations policy governs our engagement with these stakeholders and stipulates that disclosure of information should be conducted on a timely and fair basis.

UOB is covered by the research teams from more than 20 brokerage firms globally. Through constant dialogues with our investment community, our senior management keep investors abreast of UOB's financials, milestones and other material developments. This is especially important during times of economic uncertainty and market volatility.

In 2015, we met more than 500 analysts and investors and shared with them UOB's corporate strategy, operational performance and business outlook at the following events:

- Quarterly results briefings, fronted by our senior management, with conference call facilities arranged for overseas analysts and investors. Analysts and investors in Singapore were also invited to post-results luncheons every quarter;
- Investor meetings, conferences and roadshows held in Europe, the US, Hong Kong, Kuala Lumpur and Singapore;
- Our Greater China Corporate Day event in Shanghai, China;
- Meetings with credit rating agencies; and
- Annual general meetings (AGM) and other general meetings.

We disclose pertinent information on a fair, clear and timely basis. General information on UOB, including annual reports, quarterly results, recorded webcasts of results briefings, news releases and presentation slides, including CEO's AGM presentation slides, are available on our corporate website www.UOBGroup.com. All financial results, news releases, dividends recommended or declared for payment, and other ad-hoc announcements are also available on the SGX website.

Key rating drivers of UOB include its strong capitalisation, resilient credit quality and disciplined funding.

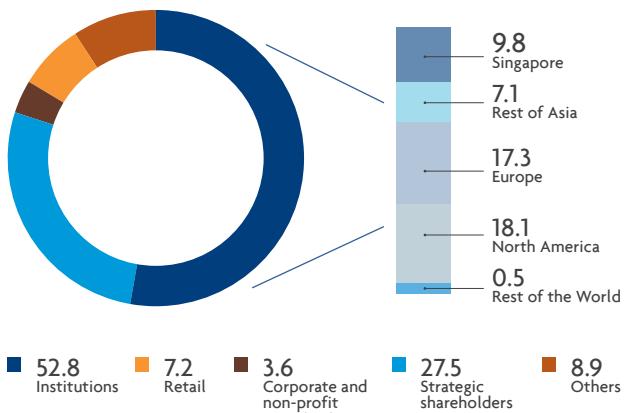
Fitch report dated 27 October 2015

UOB has strong financial fundamentals, namely robust asset quality, good capital adequacy and healthy funding and liquidity profiles. As a result, its rating is among the highest that we assign to banks globally.

Moody's report dated 13 May 2015

Our diversified shareholder base

Breakdown of UOB's shareholders as of 31 December 2015 (%)



Source: UOB, NASDAQ OMX

We have a diverse base of shareholders, including institutions, strategic shareholders, retail investors and other corporate and non-profit organisations. Institutional investors form the largest shareholder group, holding more than half of UOB's shares. The next largest group are our strategic shareholders among whom are members of the Wee family, including UOB's Chairman Emeritus Dr Wee Cho Yaw, and Deputy Chairman and CEO Mr Wee Ee Cheong. Their steadfast focus on balancing quality growth with stability is aimed at creating long-term value across the UOB franchise. This approach is aligned with the long-term interests of other shareholders and investors who are seeking stable returns from a sustainable investment.

Regulators

At UOB, we are committed to upholding the highest standards of ethical behaviour, to maintaining sound risk management systems and processes, and to preserving strong capital adequacy levels. These are so that our stakeholders can count on our being a source of stability, security and strength. All our employees are expected to exhibit integrity and fairness in their engagement with each other and with our stakeholders, including regulators, customers and investors.

Our Approach

Our approach towards regulatory compliance encompasses complying with applicable laws, rules, standards and regulations, and meeting regulatory expectations in the markets in which we operate. Overseeing this is Group Compliance, an independent function which reports directly to the Group CEO and has direct access to the Board.

Group Compliance provides functional compliance leadership and guidance for the establishment of a strong compliance culture and framework within the Group. The function identifies, assesses and coordinates the management of compliance risks and ensures that the Board and senior management are informed of significant compliance issues and plans for resolution.

The Group Compliance Charter is aligned with the standards of the Basel Committee on Banking Supervision's "Compliance and the Compliance Function in banks" paper. The Charter establishes the basic principles and duties of the Group Compliance function, roles and responsibilities of the compliance stakeholders, and the relationship between Group Compliance and its compliance stakeholders.

UOB holds a firm stance towards Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT). To manage AML/CFT risks, we keep abreast of global AML/CFT regulatory developments and regularly review our policies, procedures, frameworks, programmes and transaction monitoring systems to ensure their robustness and compliance with regulatory requirements.

To manage insider trading risks and potential conflicts of interest effectively, we have also invested in a pre-trade clearance system to monitor employee adherence to the Group Policy on Personal Trading in Securities.

We engage regulators regularly to exchange views and information on regulatory compliance matters, regulatory reforms and developments. The interaction also helps us to ensure that the Bank's policy and framework remain robust to meet both regulatory requirements and expectations, and that we are able to manage any emerging risks promptly and proactively.

UOB adheres to international regulatory standards such as the Volcker Rule, Foreign Account Tax Compliance Act and Common Reporting Standards by taking steps to operationalise the requirements.

Treating our customers fairly

Our people, from the boardroom to the branch, are mindful that doing what is right by our customers is right for the Bank. That is why we emphasise that everyone at UOB has a role to play in ensuring that Fair Dealing is at the heart of everything that we do – our Fair Dealing culture is embedded in our business operations, processes and all customer engagements.

To reinforce high standards of ethical and professional behaviour, the Bank requires all UOB employees to complete e-learning modules covering topics such as MAS Fair Dealing, banking secrecy and computer misuse, insider trading and market misconduct, anti-money laundering and anti-bribery. Employees also receive mailers on ethics and compliance-related news and the relevant lessons learnt. Where required, Group Compliance also conducts customised training sessions to strengthen employees' awareness and understanding of regulatory trends and issues.

Our Awards and Accolades in 2015

ASEAN Centre for Energy

2015 ASEAN Energy Awards

- Winner for the Retrofitted Category, Energy Efficient Building Awards - UOB Plaza 1

Asia Asset Management

2015 Best of the Best Country Awards

- Rising Star, Thailand (Co-winner)

2015 Best of the Best Regional Awards

- CEO of the Year in Asia - Mr Thio Boon Kiat, UOB Asset Management

Asiamoney

Cash Management Poll

- Best Local Cash Management Bank in Singapore as voted by Small-, Medium- and Large-sized Corporates
- Best Overall Domestic Cash Management Services in Singapore as voted by Small- and Medium-sized Corporates
- Best Overall Cross-Border Cash Management Services in Singapore as voted by Small- and Medium-sized Corporates
- Best Local Currency Cash Management Bank for Singapore SGD as voted by Financial Institutions
- Best Foreign Cash Management Bank in China as voted by Small- and Medium-sized Corporates
- Best Foreign Domestic Cash Management Services in China as voted by Small-sized Corporates
- Best Foreign Cross-Border Cash Management Services in China as voted by Small-sized Corporates
- Best Foreign Cash Management Bank in Malaysia as voted by Small-, Medium- and Large-sized Corporates
- Best Foreign Domestic Cash Management Services in Malaysia as voted by Small-, Medium- and Large-sized Corporates
- Best Foreign Cross-Border Cash Management Services in Malaysia as voted by Small-, Medium- and Large-sized Corporates
- Best Foreign Cash Management Bank in Thailand as voted by Medium-sized Corporates
- Best Foreign Domestic Cash Management Services in Thailand as voted by Small-, Medium- and Large-sized Corporates
- Best Foreign Cross-Border Cash Management Services in Thailand as voted by Small-, Medium- and Large-sized Corporates

Fixed Income Poll

- Top 10 in Overall Best Regional Interest Rates
- Ranked 2nd in Credit Research & Market Coverage on G3 Bank Bonds, G3 Corporate Bonds, G3 Sovereign Bonds and G3 High Yield Bonds
- Ranked 2nd in Regional Best Sales Services in Credit Derivatives on G10 Products
- Ranked 2nd in Overall Best for Credit, Best for Credit Services, Best for Credit Research & Market Coverage, Best for Credit Sales, and 3rd in Best for Credit Derivatives, Singapore
- Ranked 2nd in Best for Interest Rate Products & Sales, and 3rd in Overall Best for Interest Rates and Best for Interest Rate Derivatives, Malaysia

Foreign Exchange (FX) Poll

- Top 10 in Best for Overall FX Services as voted by Corporates
- Ranked 2nd in Best for FX Options, and 3rd in Best for Overall FX Services, Best for FX Products & Services and Best for FX Research & Market Coverage, Best Domestic FX Providers, Singapore
- Ranked 3rd in Best for Overall FX Services and Best for FX Options, Best Foreign FX Providers, Malaysia
- Ranked 2nd in Best for Overall FX Services, Best for FX Products & Services, Best for FX Options and Best for FX Research & Market Coverage, Best Foreign FX Providers, Thailand

Asian Banking & Finance

Retail Banking Awards 2015

- Online Banking Initiative of the Year – Singapore

Asian Women's Welfare Association (AWWA)

- 5 Years of Long Service Volunteer Award

Bloomberg Markets

- Top 10 in the World's Strongest Banks

Capital CEO

Supreme Service Awards 2015

- Supreme Banking Service Award

China-ASEAN Business Council

- 2015 Top 10 Successful ASEAN Enterprises Entering China Award

Community Chest Singapore

- Special Events Platinum Award

Contact Centre Association of Singapore (CAAS)

15th CAAS International Contact Centre Awards

- Gold –
Customer Experience Mystery Calling Awards

Euromoney

Best Managed Companies 2015

- Best Managed Company in Singapore, Overall

Futures and Options World Magazine

Awards for Asia 2015

- Bank of the Year

Hong Kong Business (HKB)

HKB International Business Awards 2015

- Winner in Banking category

Lipper

Lipper Fund Awards 2015 Taiwan

- Best Fund Over 10 Years, Equity Sector Health Care
- United Global Healthcare Fund

Mandatory Provident Fund (MPF) Schemes Authority, Hong Kong

- Good MPF Employer Award 2014/2015

Mediacorp

The Laurels 2015

- Best Homegrown Campaign in the Professional Awards category

Marketing Magazine

Mob-Ex Awards 2015

- Gold –
Best Viral Marketing
- Silver –
Best Mobile Launch
Best Direct Response Campaign
Best Campaign for Tablets / Other Devices
Best Use of Mobile for an Event
Most Innovative Use of Mobile
- Bronze –
Best Use of Video / Rich Media
Best Use of Incentives and Rewards
Best Mobile Site

Marketing Excellence Awards 2015

- Gold –
Excellence in Loyalty Marketing
Excellence in Marketing to a Female Audience

The Loyalty & Engagement Awards 2015

- Gold –
Best Use of Games / Contests / Quizzes

Mediazone

Most Valuable Services Awards in Hong Kong 2015

- The Most Trusted Banking Partner in Asia Pacific

National Arts Council Singapore

- SG50 Arts Patron Award
- Distinguished Patron of the Arts Award

National Trades Union Congress

- May Day Model Partnership Award in the Management Category

Retail Banker International (RBI)

RBI Asia Trailblazers Awards 2015

- Channel Excellence in Internet Banking – Overall
- Highly Commended for Channel Excellence in Service Delivery – ATM
- Highly Commended for Best Staff Training Programme

Service Excellence Magazine

Contact Center Service Excellence Award 2015

- Excellent Service Performance for Call Center in Regular Credit Card, Indonesia
- Excellent Service Performance for Call Center in Regular Banking, Indonesia
- Good Service Performance for ATM Contact Point, Indonesia

Singapore Exchange (SGX)

SGX AsiaClear Awards

- Top AsiaClear General Clearing Member 2015

SGX Brokers Appreciation and Awards

- Top SGX-Derivatives Trading Member 2015

Singapore infocomm Technology Federation (SiTF)

SiTF Awards 2015

- Bronze –
Best Innovative Use of Infocomm Technology
(Private Sector)

Social Enterprise Research Institute

- Asian Social Caring Leadership Award
- Mrs Christine Ip, UOB Hong Kong

Taipei Foundation of Finance (TFF) – Bloomberg

TFF-Bloomberg Best Fund Awards 2015

- Best Fund over 10 Years, Fixed Income Funds
- United Emerging Markets Bond Fund

The Asian Banker

Excellence in Retail Financial Services Awards 2015

- Best Foreign Retail Bank in Thailand

Our Awards and Accolades in 2015

The Asset

Benchmark Research Awards 2015

- Ranked 2nd in Top Investment Houses in Asian Local Currency Bonds, Thailand

Triple A Treasury, Trade and Risk Management Awards 2015

- Best SME Trade Finance Solution, Indonesia
- Best Trade Finance Solution, Thailand
- Best in Treasury and Working Capital for SMEs in Thailand
- Editors' Triple Star for BizSuper, Thailand

The Banker

Bank of the Year Awards 2015

- Bank of the Year, Singapore

The Corporate Treasurer

Asia's Best Treasury & Finance Strategies

- Best Trade Finance Strategy

The Edge-Lipper

Singapore Fund Awards 2015

- Best Fund Over 3 Years, Bond Singapore Dollar
- United SGD Fund

Malaysia Fund Awards 2015

- Best Fund Over 3 Years and 10 Years, Equity Malaysia Income
- AMB Ethical Trust Fund
sub-managed by UOB Asset Management (Malaysia)

Timetric

Customer Experience in Financial Services Asia Awards 2015

- Best Customer Experience Business Model, Malaysia

World Finance

Investment Management Awards 2015

- Best Investment Management Company, Thailand

Zhaopin Limited

Best China Employer Awards 2015

- Top 30 Best Employers in Shanghai
- UOB (China)

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

31 December 2015

Governance

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Corporate Governance

As steward of the organisation, the Board is committed to ensuring sustainable growth for the Company and being aligned with the long-term interests of stakeholders. It does so while remaining accountable for, and fair in, its activities and practices. These principles have been fundamental to UOB's approach to banking over the past 80 years and will continue to guide the Board in maintaining the strong corporate governance culture of UOB.

Board Matters

(Principles 1 to 6, Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (MAS Guidelines))

Board duties and responsibilities

The Board is responsible for:

- providing strategic direction;
- providing entrepreneurial leadership and guidance;
- approving business plans and annual budgets;
- ensuring true and fair financial statements;
- monitoring financial performance;
- determining capital/debt structure;
- setting dividend policy and declaring dividends;
- approving major acquisitions and divestments;
- reviewing risk management framework and processes;
- overseeing the performance of Management;
- setting company values and standards; and
- performing succession planning.

In 2015, the Board reviewed and approved the refreshed values of the Bank. To mark the Bank's 80th anniversary, the Board declared a one-off celebratory dividend. The year also saw the Bank acquire all the shares of Far Eastern Bank not owned by us and review our funding strategy. Our covered bond programme was also established.

The Board receives and reviews regular reports and updates on various business and governance initiatives, performance and operations. The Board monitors that the Bank observes regulatory requirements and deals fairly with various stakeholders.

Board delegation

In 2015, five Board Committees assisted the Board in the discharge of its duties. They were the:

- Executive Committee (EXCO);
- Nominating Committee (NC);
- Remuneration Committee (RC);
- Board Risk Management Committee (BRMC); and
- Audit Committee (AC).

In February 2016, the Board re-constituted the EXCO into the Strategy Committee and the Board Credit Committee to oversee the Bank's strategy- and credit-related matters respectively.

Each Board Committee has written terms of reference which are approved by the Board and reviewed annually for continued relevance. Board Committees provide reports of their activities and decisions to the Board as soon as practicable after their meetings. More information on the Board Committees can be found in the pages that follow. A graphical representation of the Board and Board Committees is on page 78.

Key processes

Board and Board Committee meetings and the annual general meeting (AGM) are scheduled well in advance. Additional Board and Board Committee meetings are held as and when necessary. Meeting materials are provided to directors in advance of a meeting. During the year, electronic board files were made available to directors who prefer to receive board papers in electronic form. Directors who are unable to attend a meeting in person may participate via telephone and/or video conference or convey their views through another director or the company secretary. Records of all meetings are properly maintained. Board and Board Committee decisions may also be made by way of circular resolutions.

The table on page 75 sets out the directors' attendance for meetings held in 2015.

Name of director	Number of meetings attended in 2015					
	Board of Directors	Executive Committee	Nominating Committee	Remuneration Committee	Management Committee	Board Risk Audit Committee
Wee Cho Yaw	5 / 7	4 / 4	1 / 2	3 / 3	4 / 4	–
Hsieh Fu Hua	7 / 7	4 / 4	2 / 2	3 / 3	4 / 4	–
Wee Ee Cheong <i>(Alternate to Wee Cho Yaw on Nominating Committee)</i>	7 / 7	4 / 4	1 / 2	–	4 / 4	–
Wong Meng Meng	7 / 7	–	2 / 2	–	–	–
Franklin Leo Lavin	7 / 7	4 / 4	2 / 2	–	–	–
Willie Cheng Jue Hiang	7 / 7	–	2 / 2	–	–	4 / 4
James Koh Cher Siang	7 / 7	4 / 4	–	3 / 3	–	4 / 4
Ong Yew Huat	6 / 7	–	–	–	4 / 4	4 / 4
Lim Hwee Hua	5 / 7	–	–	–	4 / 4	–
Number of meetings held in 2015	7	4	2	3	4	4

Composition and guidance

There are currently nine members on the Board. Each year, the NC reviews the size and composition of the Board to ensure that independent directors form a majority of the Board and that the Board size is conducive to effective decision-making. The Board believes that the current size of the Board is appropriate but will look to increasing the board size for succession planning purposes.

The NC assesses the independence of directors annually based on the criteria in the Banking (Corporate Governance) Regulations (Banking Regulations) and MAS Guidelines. A director is considered independent if:

- the director is independent from substantial shareholders of the company;
- does not have management and business relationships with the company; and
- has not served on the board for nine continuous years or more.

In its assessment, the NC also considers directors' responses in a questionnaire. In it, each director answers a series of questions designed to assess his/her independence. From the directors' disclosures of change in their other appointments, interests or personal circumstances, and the Board's quarterly reviews of the business and financial relationships between the Bank and each director, the NC is able to monitor the independence status of the directors on an ongoing basis and not just during the year-end assessment.

The NC has assessed that the Board has:

- six independent and non-executive directors: They are Messrs Hsieh Fu Hua, Franklin Leo Lavin, Willie Cheng Jue Hiang, James Koh Cher Siang and Ong Yew Huat and Mrs Lim Hwee Hua. They are not substantial shareholders and do not have management or business relationships with the Bank or any relationship with any substantial shareholder. None of these six directors has served on the Board for nine years or more. The NC is of the opinion that their length of service has not compromised the objectivity and commitment of these directors in the discharge of their duties.
- two non-independent and non-executive directors: They are Dr Wee Cho Yaw who is a substantial shareholder of the Bank and Mr Wong Meng Meng who has served on the Board for more than 15 years. Despite his tenure, Mr Wong Meng Meng continues to be objective in his assessment of issues.
- one non-independent and executive director: Mr Wee Ee Cheong is a substantial shareholder and the Chief Executive Officer (CEO) of the Bank.

As the business of banking is complex, the NC believes that it is important to have a mix of directors who have acquired knowledge and experience through their years on the Board and newer directors who are able to bring new ideas and perspectives. Such mix also provides continuity and facilitates knowledge transfer, contributing to the long-term success of the Bank.

Corporate Governance

The NC has assessed that each director remains fit and proper and qualified for office, and contributes to the collective skills, experience and knowledge of the Board. Each member of the NC recused himself from the assessment. The assessment took into account the directors' responses in a questionnaire based on the MAS Fit and Proper Criteria, and the directors' commitments and availability, among other considerations. As a group, the directors have experience in banking, accounting, management, law and corporate governance, providing core competencies that are relevant to the business of the Bank and contributing to the effective oversight of the Bank's affairs. Please refer to the Board of Directors section of this report for more information on the directors.

Time commitment and performance

The NC evaluates the performance of the Board and Board Committees and each director's contribution to the Board's effectiveness. In addition to being fit and proper for office, each director is assessed based on his independence, attendance, commitment, availability for the business and affairs of the Bank, and whether there exists any conflict of interests between him/her and the Bank.

In assessing the effectiveness of the Board and Board Committees, the NC considers the work performed by the Board and each Board Committee, and directors' feedback in a questionnaire on the performance of the Board and each Board Committee.

Having taken into account each director's known commitments and his/her contributions, the NC is satisfied that every director has devoted sufficient time and attention to the Bank's affairs. It is also satisfied that all directors have discharged their duties adequately, contributing to the effectiveness of the Board and Board Committees in the year under review. There is therefore no need to set a limit on the number of directorships that a director may hold.

Chairman

Mr Hsieh Fu Hua, the Chairman, provides leadership to the Board. He promotes open, robust and constructive board discussions, oversees corporate governance matters and ensures that directors receive timely and comprehensive information for them to discharge their duties. In early 2015, the Chairman initiated a Board retreat which, among other things, provided an opportunity for the Board to gain a deeper understanding of the Group's operations in Thailand. The Chairman also personally saw to it that the training for directors was relevant and appropriate to equip directors with the knowledge and skills to discharge their duties.

Chief Executive Officer

As the CEO, Mr Wee Ee Cheong is responsible for the day-to-day management of the Bank's affairs. He leads the management team and implements the Board's decisions. He is also responsible for seeking new business opportunities and ensuring that a good system of internal controls and risk management is implemented. During the year, he led the Bank's successful acquisition of the shares in Far Eastern Bank not owned by the Bank, initiated the formulation of a new framework to assess management governance and oversight, and steered the investments in new enterprises including in financial technology and an innovation lab for start-ups. In addition, he directed the activities for the Bank's 80th anniversary celebrations and the Group's brand implementation.

Selection process, appointment and re-election/re-appointment

The NC will seek to refresh board membership progressively, with a view to broadening and deepening the collective expertise and experience of the Board. Any director may nominate candidates to the NC, which conducts discreet searches for new directors. The NC evaluates nominations and recommends suitable candidates to the Board for appointment. It makes its recommendation after due consideration of the Board's composition and requirements, as well as the candidates' personal attributes such as integrity and financial soundness, qualification for office, and ability to commit time and effort to perform board duties. Appointments of directors are subject to the approval of the Monetary Authority of Singapore.

The NC reviews the re-election/re-appointment of directors annually, taking into account the performance of each director. The re-election of directors retiring by rotation is subject to shareholders' approval at the AGM. Under the Bank's Constitution, one-third of the directors retire from office by rotation each year and are eligible for re-election. New directors submit themselves for re-election at the first AGM following their appointment to the Board. Dr Wee Cho Yaw, who is above 70 years old and was appointed pursuant to shareholders' approval at the 2015 AGM, will be subject to re-appointment at the 2016 AGM and to retirement by rotation thereafter. The names of directors seeking re-election/re-appointment at the AGM are set out in the Notice of Annual General Meeting.

Orientation and continuous development

Each new director receives an induction package which includes the articles of directorship, terms of reference of the Board and Board Committees, and guidance on directors' duties. Briefings are organised for new directors to be familiarised with the key areas of the Bank's business and risk management. New directors also meet with key senior executives as part of their induction.

Through the Bank's continuous development programme, new and existing directors receive training on topics that are relevant to the business of the Bank and which meet the objective of equipping directors with the relevant knowledge and skills to perform their roles effectively. Training was conducted by the Bank's employees as well as external subject-matter experts. Topics covered during the year included capital management under Basel III, understanding and measurement of credit concentration risk, and liquidity risk management. Directors also held discussions with Senior Management on business and strategy issues. The sessions enabled directors to interact with Senior Management on an informal basis. In view of heightened cyber security threats, directors visited a security operations centre to understand information technology vulnerabilities and threats and the measures which can be taken to mitigate these risks.

Succession planning for senior management positions

The NC reviews the nominations and reasons for resignations of key appointment holders such as the CEO, chief financial officer (CFO), chief risk officer (CRO) and certain Senior Management positions. UOB has put in place programmes to identify employees with potential and nurture them for Senior Management positions. The Bank's philosophy is to provide holistic development of its employees and, if suitable, appoint them to management roles.

Access to information

Directors have unfettered access to information, Senior Management and the external auditor. Comprehensive and timely financial, risk management and business reports are provided to directors, with sufficient time for them to review before a meeting. Directors may also approach Senior Management should they require any additional information. Common membership in the Board Committees, such as the AC and BRMC, facilitates a holistic overview of certain matters covered by separate Board Committees.

In addition, directors have access to the company secretary, who assists them in the discharge of their responsibilities and advises them on governance matters. The company secretary organises the induction of new directors and the Bank's continuous development programme for directors, provides updates on applicable laws and regulations and facilitates communications between the Board and Senior Management when required. The appointment and removal of the company secretary are subject to the Board's approval.

Directors may seek independent professional advice, if necessary, at the Bank's expense to discharge their responsibilities.

Board Committees

The EXCO was re-constituted into the Strategy Committee and the Board Credit Committee. The Strategy Committee will focus on charting the Bank's strategy and steering the Bank towards the future, while the Board Credit Committee will have dedicated oversight of credit matters. The composition of some Board Committees was revised to better distribute the workload among directors and as part of succession planning. The current Board and Board Committee composition is set out on page 78.

Corporate Governance



Executive Committee

Prior to the re-constitution of the EXCO in February 2016, the EXCO assisted the Board to:

- oversee the Bank's performance in specific businesses and review medium- and long-term strategic objectives;
- approve certain credit facilities, capital expenditures and treasury and investment activities;

- review and recommend the annual budget and business plans;
- monitor the Bank's financial performance and review the Bank's capital and debt structure; and
- perform such other functions and exercise such other power and authority as may be delegated by the Board.

During the year, the EXCO fine-tuned credit policies and limits, and guided Management on new businesses including Islamic banking, financial technology and innovation labs.

Independent directors formed the majority on the EXCO. The EXCO members were Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua, Wee Ee Cheong, Franklin Leo Lavin and James Koh Cher Siang.

Strategy Committee

The Strategy Committee (SC) is a committee dedicated to overseeing the Bank's strategies and related activities. As the Bank is committed to achieving long-term success, greater emphasis on long-term strategies will prepare the Bank to ride the economic cycle, and remain relevant in the market and to the Bank's stakeholders. The SC is responsible for:

- assisting the Board in providing strategic direction to the Bank and oversight of its strategic plan and implementation;
- reviewing medium- and long-term strategic objectives proposed by Management and overseeing Management's performance in relation to the strategies;
- reviewing, endorsing and recommending the Bank's annual business plans, budget and capital and debt structure in relation to the strategies;
- reviewing the Bank's financial and operational performance in relation to approved budgets;
- deliberating on strategic matters which require Board review between Board meetings; and
- performing such other duties as the Board may delegate to it from time to time.

The members of the SC are Messrs Hsieh Fu Hua (chairman), Wee Cho Yaw, Wee Ee Cheong, Franklin Leo Lavin and James Koh Cher Siang.

Board Credit Committee

The Board Credit Committee (BCC) assists the Board to oversee exposure to large credits. The BCC's responsibilities are to:

- approve credit facilities within its limits; and
- review credit policies.

The BCC comprises five members. They are Messrs Ong Yew Huat (chairman), Wee Cho Yaw, Hsieh Fu Hua and Wee Ee Cheong and Mrs Lim Hwee Hua. Mr Ong Yew Huat has been the chairman of UOB Malaysia since April 2013 and has the relevant experience to chair the BCC. His common membership on the BCC, BRMC and AC will allow him to have a holistic oversight of risk management and internal controls.

Nominating Committee

The main responsibilities of the NC are to:

- assess the independence of directors;
- review the size and composition of the Board and Board Committees;
- assess the performance of the Board and Board Committees and each director;
- recommend the appointment and re-election/re-appointment of directors;
- implement a development programme for the continuous education of directors;
- review the nominations and reasons for resignations of key management appointment holders such as the CEO, CFO and CRO; and
- perform succession planning.

During the year, the NC refined its scope of responsibilities and spent a substantial amount of time in succession planning.

The NC members in 2015 were Messrs Wong Meng Meng (chairman), Wee Cho Yaw, Hsieh Fu Hua, Franklin Leo Lavin and Willie Cheng Jue Hiang. Mr Wong Meng Meng's chairmanship of the NC was pursuant to an exception provided for in the Banking Regulations. As part of succession planning, Mr Wong Meng Meng stepped down as chairman of the NC at the end of 2015 but continues as a member to provide transition support to the committee. In March 2016, Mrs Lim Hwee Hua joined the NC and was appointed chairman. Mrs Lim Hwee Hua's appointment will bring new perspectives to the NC and her appointment to both the NC and RC will allow her to provide holistic oversight of human resource matters. Given her experience and financial sector knowledge, the Board is of the view that she is well-suited to perform the task of NC chairman. Mr Wee Ee Cheong acts as an alternate member to Dr Wee Cho Yaw on the NC. The main activities of the NC are outlined on pages 75 to 77.

Corporate Governance

Remuneration Matters

(Principles 7 to 9, MAS Guidelines)

Remuneration Committee

The RC's main responsibilities are to:

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

During the year under review, the RC reviewed and refined the Bank's remuneration framework, directors' remuneration and other remuneration-related matters.

Up to February 2016, the RC members were Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua and James Koh Cher Siang, with Dr Wee Cho Yaw chairing the RC pursuant to an exception under the Banking Regulations. In February 2016, Mr James Koh Cher Siang was appointed as chairman of the RC on account of his background, skills and expertise, as well as his prior experience on the RC, and Mrs Lim Hwee Hua was appointed as a member. The RC now comprises Messrs James Koh Cher Siang (chairman) and Hsieh Fu Hua and Mrs Lim Hwee Hua. All RC members are independent and non-executive directors.

Directors' remuneration

The RC recommends the level and structure of directors' fees, which comprise a basic fee for service on the Board and Board Committees. In 2015, the Bank appointed Aon Hewitt Consulting to conduct a competitive analysis of director compensation levels, and benchmarking against comparable public-listed companies in the market. Aon Hewitt Consulting and its consultants are independent and do not have any relationship with the Bank or any of the Bank's directors. In making its recommendation, the RC considers the responsibilities of directors, the director fee structure of comparable public-listed companies in the market, as well as the recommendations of Aon Hewitt Consulting. The proposed fees for directors for the year ended 31 December 2015 are subject to shareholders' approval. Mr Wee Ee Cheong, an executive director, does not receive any fee for his appointments on the Board and Board Committees.

The RC has also recommended the payment of an advisory fee to Dr Wee Cho Yaw who, drawing from his more than 50 years of experience in banking, continues to provide invaluable advice and guidance to the Board and Management in his capacity as Chairman Emeritus and Adviser.

Employees' remuneration

Remuneration for employees is commensurate with their performance and contributions. The remuneration framework is designed to encourage behaviours that contribute to UOB's long-term success while keeping remuneration competitive to attract, retain and motivate employees and highly-skilled individuals. The remuneration package comprises base salaries, performance bonuses, benefits and, where applicable, share-based incentives. The RC approves the overall performance bonus and the share-based incentive plans. The CEO's remuneration package was recommended by the RC and approved by the Board.

Disclosure of remuneration

Please refer to the Directors' Statement section of this report for:

- directors' fees and other remuneration, including fees received as directors of subsidiaries; and
- details of the Bank's share-based incentive plans. Non-executive directors do not participate in the share-based incentive plans.

Due to the highly competitive market for talent and the confidential nature of employee remuneration matters, the Bank has decided not to disclose the remuneration of the top five non-director executives.

Other than Mr Wee Ee Cheong who is the son of Dr Wee Cho Yaw, the following employees in the UOB Group are immediate family members of a director or the CEO of UOB:

- Mr Wee Teng Chuen is the son of Mr Wee Ee Cheong and his remuneration for 2015 from UOB was within the band of \$150,000 to \$200,000; and
- Mr Brian Ong Li Jian, the son of Mr Ong Yew Huat, is employed by UOB Asset Management, a subsidiary of UOB. His remuneration for 2015 was within the band of \$50,000 to \$100,000.

Save as disclosed above and in the Directors' Statement section of this report, there was no employee in the UOB Group who is an immediate family member of a director or the CEO of UOB and whose remuneration for 2015 exceeded \$50,000.

More information on the Group's Remuneration Policy, systems and structures, including the remuneration mix and deferred remuneration for senior executives and employees, can be found in the Remuneration and Directors' Statement sections of this report.

Accountability And Audit (Principles 10 to 13, MAS Guidelines)

Board Risk Management Committee

The Board has established the BRMC to oversee risk management matters, including the following:

- establishment and operation of a robust and independent risk management system to identify, measure, monitor, control and report risks on an enterprise-wide basis;
- adequacy of the risk management function's resources;
- adequacy and effectiveness of the risk management process and system;
- overall risk appetite, risk profile, risk limits and tolerance, and risk-return strategy;
- risk measurement models and approaches;
- appropriateness of the remuneration and incentive structure; and
- appointment, remuneration and resignation of the CRO.

During the year, the BRMC reviewed and advised Senior Management on various aspects of credit risks, advised Senior Management on the monitoring and management of large credit exposures, reviewed crisis management action plans and considered the implications from customer feedback statistics.

Up to February 2016, the BRMC consisted of Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua, Wee Ee Cheong and Ong Yew Huat and Mrs Lim Hwee Hua. The BRMC now comprises Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua, Wee Ee Cheong, Ong Yew Huat and Wong Meng Meng. A majority of the BRMC members, including the chairman, are non-executive directors.

Audit Committee

The AC oversees matters relating to the following:

- financial statements and quality of, and any significant change in, accounting policies and practices;
- adequacy and effectiveness of internal accounting control systems and material internal controls;
- appointment of the external auditor and its remuneration and terms of engagement;
- external and internal audit plans and reports;
- scope and results of the external and internal audits;
- effectiveness, independence, knowledge, competence and objectivity of the external auditor;

- adequacy, effectiveness and efficiency of the internal audit function;
- policies and procedures for handling fraud and whistleblowing cases;
- interested person transactions and material related party transactions; and
- appointment, remuneration and resignation of the Head of Group Audit.

All AC members are independent and non-executive directors. They are Messrs Willie Cheng Jue Hiang (chairman), James Koh Cher Siang and Ong Yew Huat. Through the continuous development programme and regular discussions with the external and internal auditors, the AC members keep abreast of changes in accounting standards and developments in corporate governance which may have a direct impact on financial statements.

The AC has authority to investigate any matter within its terms of reference, and is entitled to the full cooperation of Senior Management and the internal and external auditors to discharge its duties. The AC meets the external and internal auditors separately in the absence of Management at least annually. The internal and external auditors report their findings and recommendations to the AC independently. Significant audit findings are highlighted to the AC through audit reports and at AC meetings.

The AC meets every quarter to review the financial statements. The AC members also meet the CFO, the internal auditor and the external auditor as often as they deem appropriate to be apprised of matters which are under review. In reviewing the financial statements, the AC assesses the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements. It recommends the financial statements to the Board for approval.

It also reviews fraud and whistleblowing cases reported to the Bank and investigated independently by Group Audit. Annually, the AC reviews the policies and procedures for handling fraud and whistleblowing cases. Please refer to page 85 for more information on the whistleblowing policy.

During 2015, the AC reviewed the benchmarking of the internal audit function with independent external consultants, guided Management on various internal controls and refined the whistleblowing policy. It also reviewed measures to guard against emerging risks such as cyber security threats and measures against money-laundering and terrorist-financing activities, directed the internal and external auditors to deep-dive into selected topics, and advised Management on its IT architecture review. The AC also reviewed customer feedback statistics and issues to provide guidance on how customer experience can be improved through better internal processes.

Corporate Governance

External auditor

The AC approves the terms of engagement of the external auditor and the audit fees, and reviews the external auditor's audit plan and reports, and non-audit services provided to UOB.

The audit and non-audit fees for the year under review are disclosed in the Notes to the Financial Statements section of this report. The AC is of the view that the amount of non-audit fees paid to the external auditor in 2015 did not compromise the independence of the external auditor.

In evaluating the external auditor for re-appointment, the AC is guided by the *Audit Quality Indicators Disclosure Framework* issued by the Accounting and Corporate Regulatory Authority (ACRA) and the *Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors* issued by ACRA and the Singapore Exchange. It is also guided by the *External Audits of Banks* issued by the Basel Committee on Banking Supervision.

The AC has evaluated the audit and non-audit services rendered by the external auditor and the audit and non-audit fees paid to the external auditor in 2015. Following its evaluation and based on feedback from the internal auditor and Management, the AC has found that the global engagement partner was substantially involved in the audit process, and has demonstrated strong technical skills and a good understanding of the Group's business, strategic objectives, risk management environment and operational issues. The external auditor has also provided quarterly affirmation of its independence to the AC.

Accordingly, the AC is satisfied that the external auditor was effective, independent and objective in its audit of the Bank in 2015, and that the external auditor has the requisite expertise and resources to perform its duties. It has nominated Ernst & Young LLP for re-appointment at the forthcoming AGM. UOB has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) in the appointment of auditing firms for the Bank and our subsidiaries.

Internal auditor

The AC reviews and approves the Internal Audit Charter which sets out the authority and responsibilities of Group Audit. It reviews the internal audit plans and reports, scope and results of the internal audits, and the adequacy, effectiveness and efficiency of Group Audit. Based on its review of the scope of internal audit for the year under review, the progress and results of the audits and the auditees' response to audit findings, the AC is satisfied with the adequacy and effectiveness of Group Audit. It is also satisfied that Group Audit is adequately resourced.

System of risk management and internal controls

The Bank's system of risk management and internal controls involves management oversight and control, regulatory compliance, risk identification, monitoring and assessment, as well as audits and reviews:

- **Group Audit:** An independent function, Group Audit assesses the reliability, adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. Group Audit uses a risk-based approach to develop the internal audit plan, which is reviewed and approved by the AC annually. Audit projects are prioritised and scoped based on Group Audit's assessment of the Bank's risks and controls over the risk types. Group Audit adopts the *Standards for the Professional Practice of Internal Auditing* set by The Institute of Internal Auditors and other relevant best practices, and is guided by *The Internal Audit Function in Banks* issued by the Basel Committee on Banking Supervision. It also oversees the internal audit functions of overseas banking subsidiaries. The Head of Group Audit is invited to attend the overseas banking subsidiaries' audit committee meetings. The AC approves the appointment, remuneration and resignation of the Head of Group Audit, who reports functionally to the AC and administratively to the CEO.
- **Group Compliance:** Group Compliance is an independent function which provides oversight and guidance for a strong regulatory compliance framework and culture in the Bank. It works with business and support units to identify, assess, monitor and manage regulatory compliance risks. Compliance policies, procedures and guidelines are put in place to guide business and support units to conduct business in compliance with applicable laws and regulations, as well as observe ethical standards and industry best practices. Group Compliance highlights significant compliance issues and regulatory developments to the Board and Senior Management through regular reports. It provides advisories and assessment of key regulatory compliance risks as well as accords high priority to preventive measures against money-laundering and terrorist-financing activities. It also oversees the compliance functions of overseas branches and subsidiaries.
- **Group Risk Management:** Group Risk Management identifies, monitors and assesses risks of the UOB Group. It works with business and support units and the relevant Senior Management committees to develop and implement appropriate risk management strategies, frameworks, policies and processes. It also oversees the risk management functions of overseas banking subsidiaries and branches. The CRO, who reports functionally to the BRMC and administratively to the CEO, is responsible for the day-to-day operations of Group Risk Management.
- **Senior Management committees:** The committees assist the CEO in managing the Bank and maintaining the relevance and effectiveness of the Bank's frameworks, policies, processes and procedures for internal controls and risk management. The committees are the Asset and Liability Committee, Brand Implementation Committee, Credit Committee, Human Resources Committee, Information and Technology Committee, Investment Committee, Management Committee, Management Executive Committee, Operational Risk Management Committee, and Risk and Capital Committee.

Under the guidance of the BRMC, Management has embarked on building a holistic and integrated governance, risk and compliance system aimed at improving the effectiveness of internal controls and risk management. More information on the Bank's risk management can be found in the Risk Management and Pillar 3 Quantitative Disclosure sections of this report.

Adequacy and effectiveness

The adequacy and effectiveness of the Bank's system of risk management and internal controls is assessed annually. For the year under review, the AC and the Head of Group Audit have reviewed the internal controls, including financial, operational, compliance and information technology controls, and the BRMC and the CRO have reviewed the risk management processes.

The Board has conducted its review of the risk management processes and internal controls maintained by UOB, and the work carried out by the internal and external auditors, Senior Management and the relevant Board Committees. It has also received assurance from the CEO and CFO that the system of risk management and internal controls is effective, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on its review and with the concurrence of the AC and BRMC, the Board is of the view that UOB's system of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2015. As no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud, UOB's system of risk management and internal controls can only provide reasonable assurance that the Bank will not be adversely affected by any reasonably foreseeable event.

Shareholder Rights And Responsibilities

(Principles 14 to 16, MAS Guidelines)

Shareholder rights and conduct of shareholder meetings
Shareholders are informed of a general meeting through a notice, which is sent to shareholders at least 14 days before the meeting. The notice of general meeting is also available on SGXNet and published in certain widely-read newspapers in Singapore. All shareholders are entitled to attend general meetings and may give their views and feedback to the Board and Management. Adequate time is allocated for shareholder feedback and questions at every general meeting. Shareholders who are not relevant intermediaries as defined in the Companies Act may appoint up to two proxies to attend and vote at general meetings in their place. Nominee companies and custodian banks who are relevant intermediaries may appoint more than two proxies. Investors who hold shares through such nominee companies or custodian banks may attend and vote as proxies of the nominee companies or custodian banks.

The directors mingle with shareholders after general meetings but given the sheer number of shareholders at such events, it is not possible for them to meet every shareholder present.

UOB conducts electronic poll-voting at general meetings. Each ordinary share carries one vote, so shareholders' voting rights are proportionate to their shareholdings. Shareholders and proxies are briefed on the procedures for electronic poll-voting at general meetings. Every item on the agenda of a general meeting is voted on separately. The votes cast for or against each resolution are tallied and displayed promptly to shareholders at the close of voting at the general meeting. The voting results are validated by an independent scrutineer and announced on SGXNet on the same day as the general meeting.

Communication with shareholders

General meetings are a principal forum for dialogue with shareholders. Shareholders may also provide feedback through the Bank's Investor Relations unit, whose contact details can be found in the Corporate Information section of this report and on the UOB website.

UOB has an investor relations policy on communicating with the investment community including shareholders, investors and analysts. All pertinent information is made available to all shareholders and stakeholders by disclosing the information via SGXNet and the UOB website on a timely basis. This is in line with the Bank's philosophy to be open, relevant and timely in its communications with the investment community.

Briefings to present the half-year and full-year financial results are held for the media and analysts. The presentations by the CEO and CFO at the briefings are published on the SGXNet and the Bank's website. Through conferences and roadshows, the management team shares with investors the Bank's corporate strategy, operational performance and business outlook. Materials presented at such conferences and roadshows are also made available to shareholders on the SGXNet and the UOB website in a timely manner.

Dividend payment

UOB pays dividends in a timely manner. Dividends are paid within 30 days after any interim dividend has been declared and after a final dividend has been approved at the AGM. When the Scrip Dividend Scheme is applied to a dividend, shareholders may opt to receive their dividends in cash or shares, or a combination of both. The payment date will be in compliance with the Listing Manual of the SGX-ST. More information on investor communications and dividends can be found in the Investors section of this report.

Related Party Transactions

(Principle 17, MAS Guidelines)

All interested person transactions are reported to and reviewed by the AC. The particulars of interested person transactions entered into during 2015 are set out on page 84. The AC also reviews material related party transactions to consider if they are undertaken on an arm's length basis. Related party transactions are disclosed in the Notes to the Financial Statements section of this report.

Corporate Governance

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Haw Par Corporation Limited and its subsidiaries (Haw Par Group)	UOB Travel Planners Pte Ltd sold travel products and services to the Haw Par Group. The total value of these transactions was \$249,981.	Nil
UOB Kay Hian Private Limited	UOB Travel Planners Pte Ltd sold travel products and services to UOB Kay Hian Private Limited. The total value of these transactions was \$654,448.	Nil
UOL Group Limited and its subsidiaries (UOL Group)	UOB Travel Planners Pte Ltd sold travel products and services to and acted as hotel services agent for the UOL Group. The total value of these transactions was \$990,007.	Nil
UOL Property Investments Pte Ltd	The Bank rented the premises at 101 Thomson Road, #11-03 United Square, Singapore 307591 from UOL Property Investments Pte Ltd for 21 months at a total rent of \$168,682.50. The rent for the lease was supported by an independent valuation.	Nil
Plaza Hotel Company Limited	<p>The Bank rented the following premises at Central Plaza Office Building, 17 Le Duan Street, District 1, Ho Chi Minh City, Vietnam from Plaza Hotel Company Limited:</p> <ul style="list-style-type: none"> a. basement, for two years at a total rent of US\$152,640; b. ground and mezzanine floor, for 12 years at a total rent of US\$342,611.80; and c. 15th floor, for 50.5 months at a total rent of US\$699,425. <p>The rents for the leases were supported by an independent valuation.</p>	Nil
OUB Centre Limited	The Bank rented the premises at 1 Raffles Place, #23-02 One Raffles Place, Singapore 048616 from OUB Centre Limited for three years at a total rent of \$766,443.60. The rent for the lease was supported by an independent valuation.	Nil
For The Love Of Laundry Pte Ltd	The Bank leased the premises at 1 Raffles Place, #01-63 One Raffles Place, Singapore 048616 to For The Love Of Laundry Pte Ltd for three years for a total rent of \$180,000. The rent for the lease was supported by an independent valuation.	Nil
PT UOB Kay Hian Securities	PT UOB Property leased its premises at 36 th floor, Units 1 to 4, UOB Plaza, Jalan M.H. Thamrin No. 10, Jakarta 10230, Indonesia to PT UOB Kay Hian Securities for five years at a total rent of IDR24,740,060,400. The rent for the lease was supported by an independent valuation.	Nil

Ethical Standards

Whistleblowing policy

The Bank has a whistleblowing policy which provides for access to well-defined channels for any individual to report in good faith, without fear of reprisal, any suspected wrongdoing to the Head of Group Audit, AC chairman, CEO or Board Chairman. Reports may be sent to the Head of Group Audit at United Overseas Bank Limited, 396 Alexandra Road, #18-00, Singapore 119954. All reports received are accorded confidentiality and investigated independently by Group Audit.

Securities dealing

Directors and employees are guided by a code on dealing in securities which prohibits dealings in the Group's securities:

- on short-term considerations;
- during the period commencing two weeks before the announcement of the Bank's financial statements for each of the first three quarters of the financial year and one month before the announcement of the Bank's full-year financial statements; and
- whenever they are in possession of price-sensitive information.

Directors and employees are informed of the prohibited dealing periods and have to adhere to applicable laws on insider dealings at all times. The Bank does not deal in its securities during the prohibited dealing periods.

Code of conduct

All employees have to observe a code of conduct which guides them on their conduct at the workplace and with stakeholders. The UOB Code of Conduct covers aspects of the Bank's business operations such as confidentiality of customer information, fair dealing in the conduct of business as well as zero tolerance of bribery, corruption and illegal or unethical dealings including insider trading. Employees who do not comply with the code may be subject to disciplinary action. More information on the UOB Code of Conduct can be found in the People section of this report.

Fair Dealing

The Bank has put in place policies, guidelines and best practices to embed Fair Dealing principles into the organisational culture and daily operations. Various initiatives are implemented on an ongoing basis to ensure that employees deliver Fair Dealing outcomes to customers. Procedures have also been established to handle customer complaints independently, effectively and promptly and to communicate decisions to customers clearly. More information on the Bank's commitment to Fair Dealing can be found in the Customers section of this report.

Remuneration

Group Remuneration Policy

The UOB Group Remuneration Policy applies to all subsidiaries and overseas branches within the Group and guides the design, operation and management of our remuneration programmes. The policy sets out the principles and philosophies that we adopt to facilitate the attraction, motivation and retention of a highly-skilled global workforce, while encouraging behaviours that strengthen the long-term financial strength of the Group. Our remuneration programmes are designed to support the Group's business strategies and objectives and to comply with the principles and standards set out by the Financial Stability Board (FSB). The policy covers the remuneration of directors and employees. The employees include Senior Executives (SE) and Material Risk Takers (MRT). SEs refer to the Group Chief Executive Officer and senior corporate Managing Directors. MRTs refer to employees with significant organisational responsibilities that have a material impact on the Group's performance and risk profile, and employees with high risk mandates in the form of risk-weighted assets and trading limits.

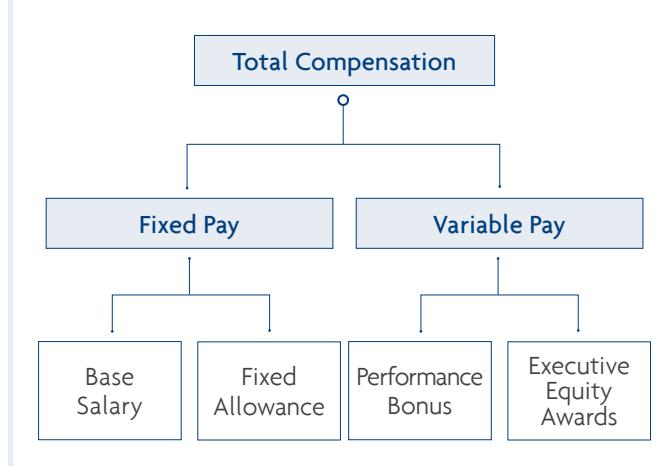
The Remuneration Committee (RC) conducts regular reviews of the remuneration policy to ensure that compensation practices and programmes are consistent with regulatory requirements and are responsive to market developments. The Group Remuneration Policy was last reviewed and approved by the RC in February 2016.

Our Approach to Remuneration

We apply a meritocratic approach to ensure that the remuneration framework supports the Group's long-term business strategy, and delivers a total compensation that fairly reflects each employee's contributions and performance.

The Group's compensation is made up of two main components, namely fixed pay and variable pay. Fixed pay consists of base salary and fixed allowances that are pegged to the market value of the job. Variable pay rewards employees based on the performance of the Group and the employee's individual performance.

Components of Total Compensation



We take a holistic view of various factors to determine and to ensure that an employee's total compensation is fair. These factors include:

- the market value of the employee's job (Pay for Position);
- the employee's personal attributes such as experience, competencies and behaviours that uphold UOB values (Pay for Person); and
- the performance of the Group and the employee's individual achievement of performance targets (Pay for Performance).

Approach to Total Compensation



■ Pay for person

- Skills and experience
- Competency
- UOB values

■ Pay for performance

- Group performance
- Business unit performance
- Individual performance

■ Pay for position

- Market value of position
- Job size

Pay for Position

The market value of each position is benchmarked against comparable positions in the market. We engage the services of independent remuneration consultants to establish the market pay levels of each of our positions. This sets an anchor to ensure that pay levels in the Group are competitive with other companies of comparable size and nature of business in the markets in which we operate.

In 2015, we used salary surveys conducted by external compensation consultants, such as McLagan and Towers Watson, as reference for employee salary benchmarking purposes. The consultants are independent and not related to us or any of our directors.

Pay for Person

An employee's personal attributes such as skills, experience and competency determine how the employee is compensated relative to the anchor. Typically, employees who are highly competent and experienced in their role receive a higher base salary that commensurates with those personal attributes. How an employee behaves in respect to our UOB values is also factored in the pay decisions.

Pay for Performance

We drive Pay for Performance through the differentiation of variable pay. This ensures that employees can be recognised, rewarded and motivated for their contributions. With Pay for Performance, we aim to deliver a total compensation for high-performing employees that is above general market levels.

Variable Pay – Performance Bonus

Determining the performance bonus pool

The total compensation paid to employees is set as a function of the net profit before tax under the Group's total compensation framework. The performance bonus pool is then determined based on the productivity levels achieved. For senior executives, the performance bonus pool is set as a function of both net profit before tax and economic profit.

The performance bonus pool derived is then moderated by the performance of the Group's balanced scorecard. Under the Group's balanced scorecard, we measure performance on financial outcomes, business drivers, and risk and reputation. Financial outcomes include metrics on profitability, risk and capital efficiency, and cross-selling. Business drivers focus on the Group's regionalisation strategy, liquidity and the quality of our portfolio. Risk and reputation are dependent on the outcomes under the Group Risk Appetite Statement, as assessed by the Board Risk Management Committee. Depending on the severity of breaches under the Group Risk Appetite Statement, the RC may reduce the performance bonus pool for the year as it deems fit.

Group Balanced Scorecard



Since 2010, we have adopted economic profit as a key risk-adjusted metric in determining performance and compensation, taking into account the risks to which the Group is exposed, and the resulting costs of capital usage. Exposure to businesses or geographies of a higher risk profile will result in lower economic profit, thus reducing the overall compensation of the Group. Liquidity risk is incorporated into the cost of funds under the Group's fund transfer pricing framework. A higher liquidity risk premium reduces the economic profit of the business unit and will therefore result in a lower performance level and compensation for the business. We believe that the use of economic profit as a performance metric will sharpen employees' focus on risk and capital efficiency, thereby aligning employees' behaviours with shareholders' expectations in value creation.

Allocating and distributing the performance bonus pool

The Group's performance bonus pool is allocated to business units based on the productivity and balanced scorecard achievements of each business unit, which are cascaded from the Group's balanced scorecard. Country heads are consulted for the performance bonus pools allocated to the business units in each country.

The performance bonus of each employee is then distributed from the performance bonus pool available to the business unit, depending on their individual performance. The individual performance of each employee is assessed based on a mix of performance objectives and competency behaviours. This balances the quantitative achievement of key performance indicators with the behaviours that each employee is expected to display in achieving their objectives. Employees who have exceeded performance expectations are awarded higher performance bonuses. Conversely, performance bonuses are not awarded to employees who do not meet performance expectations for the year.

Variable Pay – Executive Equity Awards

The Executive Equity Plan (EEP) forms the Group's long-term compensation component that is forward looking, with rewards based on the Group's future performance. We believe that the EEP is essential to meeting the following objectives:

- align the long-term interests of senior employees with that of shareholders;
- retain key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- attract potential employees with relevant skills to contribute to the Group and create value for shareholders; and
- deliver compensation in a manner that drives the long-term performance of the Group.

Remuneration

EEP awards are made in the form of performance-based restricted shares that vest over a period of three years; contingent on the Group's meeting long-term performance targets. EEP awards made in 2015 are subject to the following vesting criteria:

Criteria for Vesting of EEP Awards

Vesting Schedule		Performance Adjustment		EEP awards to be vested
Year 1	No vesting	Stretch: 115%	130%	
Year 2	30% of awards to vest, subject to 2-year ROE performance	Target: 100%	100%	
Year 3	70% of awards to vest, subject to 3-year ROE performance	Threshold: 80%	70%	
Below Threshold		At the discretion of RC		

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

Remuneration Governance

The RC comprises three non-executive directors, two of whom are independent. In determining the total compensation for the Group, the RC takes into account various factors including the underlying business risks, business outlook, performance and investments in building infrastructure and capability to ensure that the compensation for the Group strengthens the franchise and is appropriately aligned with shareholders' interests.

The RC also seeks inputs from the Board Risk Management Committee to ensure that remuneration and incentive practices adopted by the Group do not create incentives for excessive or inappropriate risk-taking behaviours.

Details of the composition of the RC and a summary of its key roles and responsibilities are contained in the Corporate Governance section of this report.

Control Functions

To avoid conflict of interest, UOB compensates employees in control functions, namely Risk Management, Audit, Credit and Compliance independently of the performance of any business lines of business units that they oversee. Compensation for employees in control functions is determined based on the overall performance of the Group, the achievement of operational KPIs of the control function and the performance of the individual employee. To strengthen the independence of control functions, performance bonuses for control functions are capped at no more than 10 per cent variance year on year.

In addition, the remuneration for the Chief Risk Officer and the Group Head of Audit are approved by the BRMC and the AC respectively.

Variable Pay Deferrals

The Group's variable pay deferral policy applies to all employees regardless of role or seniority, with a specific focus on the variable pay for SEs, MRTs and other employees who have received a high variable pay. The objective of the deferral policy is to align compensation payment schedules with the time horizon of risks and to encourage employees to focus on delivering sustainable long-term performance. Variable pay deferral in the Group comprises two main elements – the awards made under the EEP and bonus deferrals.

Executive Equity Awards

The EEP awards form a major component of the Group's deferred variable pay. We believe that it is necessary for senior employees to have a material portion of their total compensation aligned with the long-term interests of shareholders.

Deferred Bonus

Under the variable pay deferral policy, all variable pay, including performance bonus and EEP awards, is subject to deferral ranging from 20 per cent to 60 per cent, with the proportion of deferral increasing with the amount of variable pay received. Where the quantum of variable pay deferral exceeds the EEP awards granted, the excess will be deferred in the form of cash bonus deferrals. Deferred bonus will vest equally over three years, at a rate of 1/3 per year.

Deferral Guidelines

There is no accelerated payment of deferred compensation for employees leaving the Group other than in exceptional cases, such as death in service. Retiring and retired employees are subject to the same vesting conditions for their deferred compensation as other employees in service. There is no special retirement plan, golden parachute or special severance package for SEs and MRTs. Employees who resign or are terminated will forfeit any unvested deferrals.

In addition, the vesting of deferred compensation is subject to the following deferral guidelines:

Guidelines on Treatment of Deferred Variable Pay

Malus of Unvested Compensation

- Material Misconduct
- Material Restatement of Financial Results
- Bank-wide Losses

Clawback of Paid Compensation

- Gross Misconduct
- Financial Misstatements
- Material Risks
- Malfeasance or Fraud

The following tables show the breakdown of remuneration for SEs, including the top five non-director executives, and MRTs for the year ended 31 December 2015.

Guaranteed Bonuses, Sign-On Awards and Severance Payments

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	0	4
Number of sign-on awards	0	1
Number of severance payments	0	0
Total amounts of above payments made for the financial year (\$'000)	0	1,116
Number of employees	13	187
Number of employees who received variable pay	13	181

Remuneration Outcomes in 2015

The Group's total compensation is set as a function of net profit before tax. For 2015, the Group has maintained profitability despite higher staff expenses as the Group invests in building its talent pool to deepen our franchise. Economic profit has declined due to higher capital base as shareholders' equity has increased, largely contributed by net profits and improved valuations on available-for-sale investments. Cross-selling has seen broad-based growth across most businesses, as the Group continues to place focus to unlock the value of its franchise.

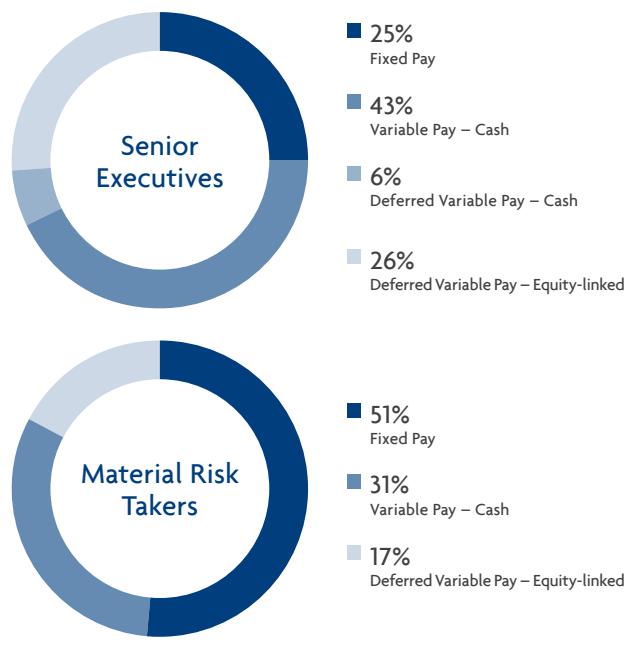
On a regional front, growth in profit contributions was largely led by Thailand and Greater China, as overseas contributed 38.9 per cent of the Group's pre-tax profit due to core income growth. The Group's liquidity position remained strong with customer deposits increasing 2.9 per cent from a year ago, while loan-to-deposit ratio remained healthy at 84.7 per cent. While non-performing loans ratio has crept up to 1.4 per cent in the current credit cycle, the overall asset quality has remained stable.

The Group continues to maintain a strong focus on managing its risk and reputation. Outcomes of the Group's Risk Appetite Statement, together with the performance of the Group, were considered by the RC in determining the Group's compensation for 2015.

Senior Executives and Material Risk Takers

While the MAS Guidelines recommend the disclosure of the remuneration of the top five non-director executives, the Bank believes that it is not to our advantage or in our best interest to do so especially given the highly competitive market for talent. Hence, the breakdown of remuneration awarded has been reflected in percentages.

Breakdown of Remuneration Awarded to SEs and MRTs in the Current Financial Year



Remuneration

Breakdown of Long-Term Remuneration Awards

Category of Remuneration	SEs %	MRTs %
<u>Change in deferred remuneration paid out in current financial year</u>	2	12
<u>Change in amount of outstanding deferred remuneration from previous financial year</u>	(3)	(23)
Outstanding deferred remuneration (breakdown)		
Cash	22	0
Shares and share-linked instruments	78	100
Other forms of remuneration	–	–
Total	100	100
 Outstanding deferred remuneration (performance adjustments)		
Of which exposed to ex-post adjustments	100	100
Reductions in current year due to ex-post adjustments (explicit ¹)	–	–
Reductions in current year due to ex-post adjustments (implicit ²)	30	33
 Outstanding retained remuneration (performance adjustments)		
Of which exposed to ex-post adjustments	–	–
Reductions in current year due to ex-post adjustments (explicit)	–	–
Reductions in current year due to ex-post adjustments (implicit)	–	–

1. Examples of explicit ex-post adjustments include malus, clawbacks or similar reversals or downward revaluations of awards.

2. Examples of implicit ex-post adjustments include fluctuations in the value of the shares or performance units.

Risk Management

Managing risk is an integral part of our business strategy. Our risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of our stakeholders, while remaining nimble to seize value-creating business opportunities in a fast-changing environment. We are committed to maintaining high standards of corporate governance, sound risk management principles and business practices to achieve sustainable long-term growth. We continuously strive towards best risk management practices to support our strategic objectives.

2015 Highlights

Ensuring sustainable growth through informed risk decision-making processes

In 2015, we rolled out an integrated managerial stress-testing framework which links the assessment of profitability, capital, liquidity and funding requirements. This complements our existing regulatory stress-testing and enables us to evaluate holistically the sensitivity of business plans to macroeconomic conditions and management decisions.

We also implemented a new counterparty credit risk system which significantly enhanced our capabilities in measuring and managing counterparty credit risk exposure for foreign exchange and derivatives.

Our integrated Governance, Risk and Compliance (GRC) system was also launched during the year as a tool for the Compliance, Operational Risk and Audit functions to sharpen risk management oversight of the Group's businesses across the markets in which we operate. The integration of key activities and synchronisation of information enhance our decision-making process across these three functions. This in turn improves our business agility and competitive advantage and allows us to offer differentiated products to our customers.

Meeting new regulatory requirements and expectations

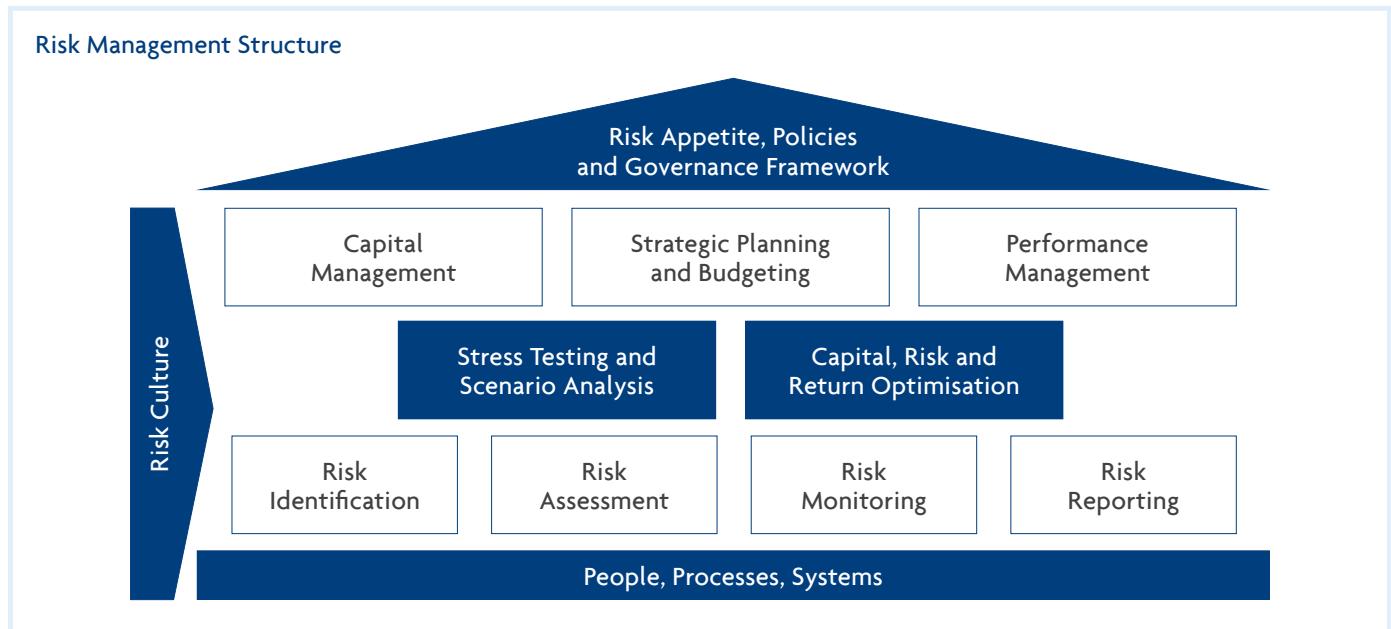
In line with the new regulatory requirement introduced by the Basel Committee on Banking Supervision to promote short-term resilience of the liquidity risk profile of banks, we commenced daily reporting and regulatory compliance for the Group's Liquidity Coverage Ratio (LCR) in January 2015. To date the Group is well-funded and has more than adequate buffer above the regulatory requirements.

As a leading bank in Asia, we also recognise our role in driving responsible and sustainable business practices to ensure long-term financial stability. To this end, we have embarked on integrating environmental, social and governance (ESG) considerations into our risk assessment and credit decision processes.

Risk Management

Our Approach

UOB's risk management structure, as shown in the following diagram, aims to promote a 'risk aware' culture throughout the Group. This requires the various risk and control oversight functions to work together with business units to identify their risks and to facilitate their risk and control self-assessments.



Our risk management strategy is targeted at ensuring proper risk governance so as to facilitate ongoing effective risk discovery and to set aside adequate capital efficiently to cater for the risks arising from our business activities. Risks are managed within levels established by the senior management committees and approved by the Board and its committees. We have put in place a comprehensive framework of policies, methodologies, tools and processes that will help us identify, measure, monitor and manage all material risks faced by the Group. This allows us to concentrate our efforts on the fundamentals of banking and to create long-term value for all our stakeholders.

The Group's risk appetite, policies and governance frameworks provide the overarching principles and guidance for the Group's risk management activities. They help to shape our key decisions for capital management, strategic planning and budgeting, and performance management to ensure that the risk dimension is appropriately and sufficiently considered. In particular, the Group Risk Appetite is part of the Group's Internal Capital Adequacy Assessment Process (ICAAP), which incorporates stress testing to ensure that the Group's capital, risk and return are within acceptable levels under stress scenarios. We also take into consideration the Group Risk Appetite in the development of risk-related Key Performance Indicators (KPIs) for performance measurement. This serves to embed a risk management mindset and culture throughout the organisation.

Our implementation of the risk appetite, policies and governance frameworks is supported by a series of risk identification, assessment, monitoring and reporting processes. Risk reports are regularly submitted to management and the Board to keep them apprised of the Group's risk profile.

Risk Governance

UOB's responsibility for risk management starts at the top with our Board overseeing a governance structure that is designed to ensure that the Group's business activities are:

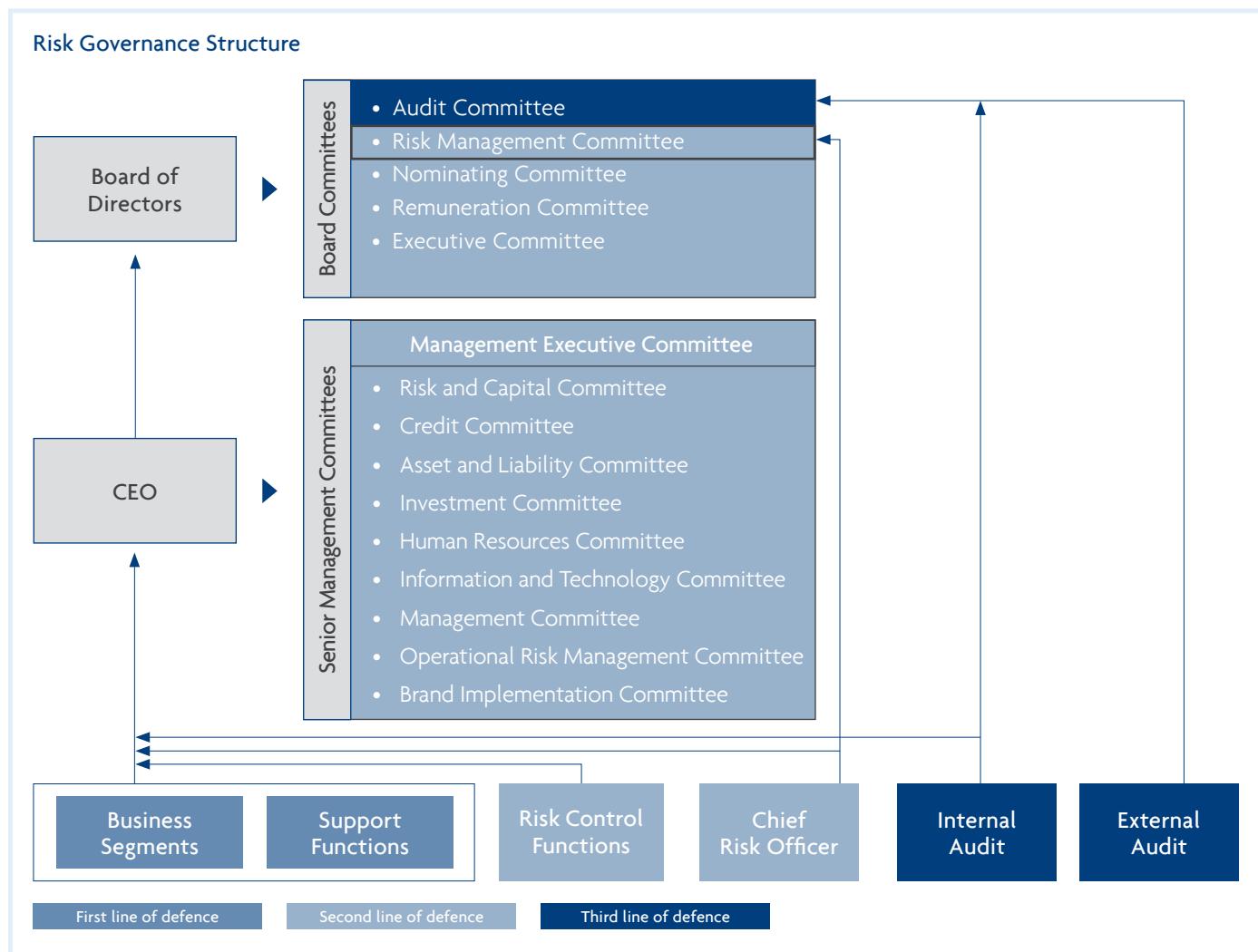
- conducted in a safe and sound manner and in line with the highest standards of professionalism;
- consistent with the Group's overall business strategy and risk appetite; and
- subject to adequate risk management and internal controls.

In this regard, the Board is supported by the Board Risk Management Committee (BRMC).

The CEO has established senior management committees to assist in making business decisions with due consideration to risks and returns. The main senior management committees involved in this are the Management Executive Committee, Asset and Liability Committee (ALCO), Credit Committee (CC), Operational Risk Management Committee (ORMC) and the Risk and Capital Committee (RCC). These committees also assist the BRMC in specific risk areas.

The BRMC reviews the overall risk appetite and level of risk capital to maintain for the Group. Senior Management and the senior management committees are authorised to delegate risk appetite limits by location, business lines, and/or broad product lines.

Risk management is also the responsibility of every employee within the Group. Robust risk governance and accountability are embedded in our culture through an established framework that ensures appropriate oversight and accountability for the effective management of risk throughout the Group and across risk types. This is executed through an organisation control structure that provides three “lines-of-defence” as follows:



First line of defence – The Risk Owner:

The business and business support functions have primary responsibility for implementing and executing effective controls for the management of risks arising from their business activities. This includes establishing adequate managerial and supervisory controls to ensure compliance with approved risk policies, appetite, limits and controls and to highlight control breakdowns, inadequacy of processes and unexpected risk events.

Second line of defence – Risk Oversight:

The risk and control oversight functions (such as Group Risk Management and Group Compliance), the Chief Risk Officer (CRO) and the senior management committees provide the second line of defence.

The risk and control oversight functions support the Group's strategy of balancing growth with stability by facilitating business development within a prudent, consistent and efficient risk management framework. This includes setting risk policies, frameworks, risk appetite and limits within which the business functions must operate. The risk and control functions are also responsible for the independent review and monitoring of the Group's risk profile and highlight any significant vulnerabilities and risk issues to the respective management committees.

The independence of risk management from business functions ensures the necessary balance in risk/return decisions. It also helps the Group to achieve proper corporate governance.

Risk Management

Third line of defence – Independent Audit:

The Group's internal and external auditors conduct risk-based audits covering all aspects of the first and second lines of defence to provide independent assurance to the CEO, Audit Committee and the Board, on the effectiveness of the risk management and control structure, policies, frameworks, systems and processes.

The Group's governance framework also provides oversight for our overseas banking subsidiaries through a matrix reporting structure. Our subsidiaries, in consultation with the Group, adapt the governance structure accordingly to comply with local regulatory requirements. This ensures the approach across the Group is consistent and yet sufficiently flexible to suit different local operating environments.

Risk Appetite

UOB has established a risk appetite framework to define the amount of risk we are able and willing to take in pursuit of its business objectives. The objective of establishing a risk appetite framework is not to limit risk-taking but to ensure that the Group's risk profile remains within well-defined and tolerable boundaries. The framework was formulated based on the following key criteria:

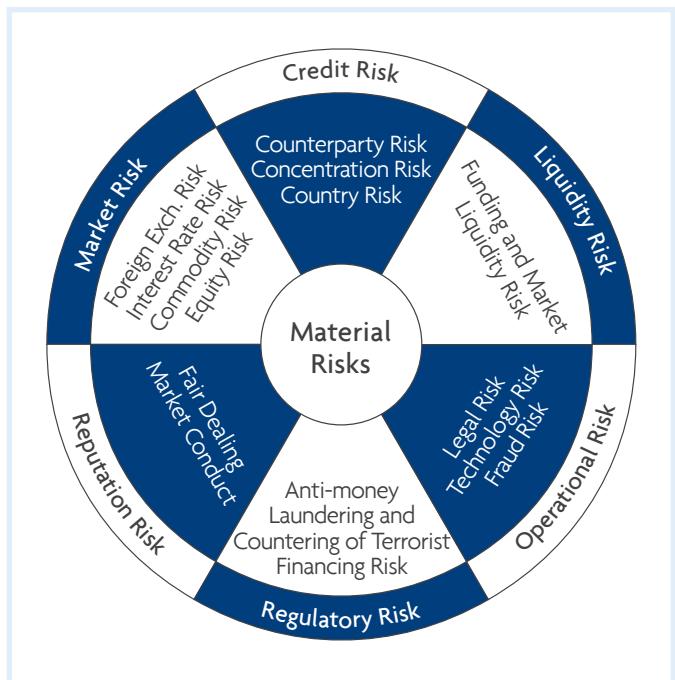
- relevance to respective stakeholders, with appropriate levels of granularity;
- practical, consistent and easy to understand metrics for communication and implementation;
- alignment to key elements of the Group's business strategy; and
- analytically substantiated and measurable metrics.

The risk appetite defines suitable thresholds and limits across key areas including but not limited to credit risk, country risk, market risk, liquidity risk, operational risk and reputation risk. Our risk-taking approach is focused on businesses which we understand and are well-equipped to manage the risk involved. Through this approach, we aim to minimise earnings volatility and concentration risk and ensure that our high credit rating, strong capital and funding base remain intact. This allows us to be a stable partner of our customers through changing economic conditions and cycles.

UOB's risk appetite framework is updated and approved annually by the Board. Management monitors and reports the risk limits to the Board.

Material Risks

UOB's business strategies, products, customer profiles and operating environment expose us to a number of financial and non-financial risks. Identifying and monitoring key risks are integral to the Group's approach to risk management. It allows us to make proper assessment and proactively mitigate these risks across the Group. The key risks which could impact the success of achieving the Group's strategic objectives are as follows:



UOB has adopted the Basel Framework and observes the Monetary Authority of Singapore (MAS) Notice to Banks No. 637 – Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore. We continue to adopt a prudent and proactive approach in navigating the evolving regulatory landscape, with emphasis on sound risk management principles in delivering sustainable returns.

We have adopted the Foundation Internal Ratings-Based (FIRB) approach for our non-retail exposures and the Advanced Internal Ratings-Based (AIRB) approach for our retail exposures. For Market and Operational risks, the Group has adopted the Standardised Approach (SA).

We have also adopted ICAAP to assess on an ongoing basis the amount of capital necessary to support our activities. We review the ICAAP periodically to ensure that the Bank remains well-capitalised after considering all material risks. Stress testing is conducted to determine capital adequacy under stressed conditions.

The Group's Pillar 3 Disclosure Policy addresses the disclosure requirements specified in MAS Notice 637. Please refer to the 'Pillar 3 Quantitative Disclosure' section in the Annual Report for further information.

Credit Risk

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations are due. Credit risk is the single largest risk that we face in our core business as a commercial bank, arising primarily from loans and other lending-related commitments to retail, corporate and institutional borrowers. Treasury and capital market operations and investments also expose the Group to counterparty and issuer credit risks.

Integral to the management of credit risk is a framework that clearly defines policies and processes relating to the measurement and management of credit risk. We review and stress-test the Group's portfolio regularly and we continually monitor the operating environment to identify emerging risks and to formulate mitigating actions.

Credit Risk Governance and Organisation

The CC is the key oversight committee for credit risk and supports the CEO and BRMC in managing the Group's overall credit risk exposures. The committee serves as an executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and systems. The CC also reviews and assesses the Group's credit portfolios and credit risk profiles.

The Country and Credit Risk Management Division is responsible for the reporting, analysis and management of all elements of credit risk. It develops Group-wide credit policies and guidelines, and focuses on facilitating business development within a prudent, consistent and efficient credit risk management framework.

Credit Risk Policies and Processes

We have established credit policies and processes to manage credit risk in the following key areas:

Credit Approval Process

To maintain the independence and integrity of the credit approval process, our credit origination and approval functions are clearly segregated. Credit approval authority is delegated to officers based on their experience, seniority and track record, and credit approval is based on a risk-adjusted scale according to a borrower's credit rating. All credit approval officers are guided by credit policies and credit acceptance guidelines that are periodically reviewed to ensure their continued relevance to the Group's business strategy and the business environment.

Credit Concentration Risk

Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. This is managed by setting exposure limits on obligors, portfolios, borrowers, industries and countries, generally expressed as a percentage of the Group's eligible capital base.

We manage our credit risk exposures through a robust credit underwriting, structuring and monitoring process. While the Group proactively minimises undue concentration of exposure in our portfolio, our credit portfolio remains concentrated in Singapore and Malaysia. UOB's cross-border exposure to China has seen a pronounced increase over the years, consistent with rising trade flows between China and Southeast Asia. The Group manages our country risk exposures within an established framework that involves setting limits for each country. Such limits are based on the country's risk rating, economic potential measured by its gross domestic product and the Group's business strategy.

UOB's credit exposures are well-diversified across industries, with the exception of the Singapore real estate sector which is due mainly to the high home ownership rate. We remain vigilant about risks in the sector and have taken active steps to manage our exposure while continuing to maintain a prudent stance in approving real estate-related loans.

We perform regular assessments of emerging risks and in-depth reviews on industry trends to provide a forward-looking view on developments that could impact the Group's portfolio. We also conduct frequent stress testing to assess the resilience of the portfolio in the event of a marked deterioration in operating conditions.

Credit Stress Test

Credit stress-testing is a core component of the Group's credit portfolio management process. The three objectives of stress-testing are (i) to assess the profit and loss and balance sheet impact of business strategies, (ii) to quantify the sensitivity of performance drivers under various macroeconomic and business planning scenarios, and (iii) to evaluate the impact of management decisions on capital, funding and leverage. Under stress scenarios such as a severe recession, significant losses from the credit portfolio may occur. Stress tests are used to assess if the Group's capital can withstand such losses and their impact on profitability and balance sheet quality. Stress tests also help us to identify the vulnerability of various business units and would enable us to formulate appropriate mitigating actions.

Our stress test scenarios consider potential and plausible macroeconomic and geopolitical events in varying degrees of likelihood and severity. We also consider varying strategic planning scenarios where the impact of different business scenarios and proposed managerial actions are assessed. These are developed through consultation with relevant business units and are approved by Senior Management.

Risk Management

Credit Risk Mitigation

Our potential credit losses are mitigated through a variety of instruments such as collateral, derivatives, guarantees and netting arrangements. As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed and the value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group are cash, marketable securities, real estate, equipment, inventory and receivables. We have in place policies and processes to monitor collateral concentration. Appropriate haircuts are applied to the market value of collateral, reflecting the underlying nature of the collateral, quality, volatility and liquidity. In addition, collateral taken by the Group has to fulfil certain criteria (such as legal certainty across relevant jurisdictions) in order to be eligible for Internal Ratings-Based (IRB) purposes.

In extending credit facilities to small- and medium-sized enterprises (SMEs), we also often take personal guarantees as a form of moral support to ensure moral commitment from the principal shareholders and directors. For IRB purposes, we do not recognise personal guarantees as an eligible credit risk protection. Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit. To recognise the effects of guarantees under the FIRB approach, we adopt the Probability of Default (PD) substitution approach whereby the PD of an eligible guarantor of an exposure will be used for calculating the capital requirement.

The Group also has established policies and processes to mitigate counterparty credit risk, in particular for cases where default risk and credit exposure increase together (wrong-way risk). Transactions that exhibit such characteristics are identified and reported to Senior Management on a regular basis. In addition, transactions with specific wrong-way risk are generally rejected at the underwriting stage.

Exposures arising from foreign exchange and derivatives are typically mitigated through agreements such as the International Swaps and Derivatives Association (ISDA) Master Agreements and the Credit Support Annex (CSA). Such agreements help to minimise credit exposure by allowing us to offset what we owe to a counterparty against what is due from that counterparty in the event of a default.

The Group's foreign exchange-related settlement risk has been reduced significantly through our participation in the Continuous Linked Settlement (CLS) system. This system allows transactions to be settled irrevocably on a delivery versus payment basis.

As at 31 December 2015, UOB would be required to post additional collateral of US\$12.5 million with our counterparties if our credit rating were downgraded by two notches.

Credit Monitoring and Remedial Management

The Group regularly monitors credit exposures, portfolio performance and emerging risks that may impact our credit risk profile. The Board and Senior Management are updated on credit trends through internal risk reports. The reports also provide alerts on key economic, political and environmental developments across major portfolios and countries, so that mitigating actions can be taken where necessary.

Delinquency Monitoring

We monitor closely the delinquency of borrowing accounts as it is a key indicator of credit quality. An account is considered as delinquent when payment is not received on the due date. Any delinquent account, including a revolving credit facility (such as an overdraft) with limit excesses, is closely monitored and managed through a disciplined process by officers from business units and risk management function. Where appropriate, such accounts are also subject to more frequent credit reviews.

Classification and Loan Loss Impairment

We classify our credit portfolios according to the borrower's ability to repay the credit facility from their normal source of income. There is an independent credit review process to ensure the appropriateness of loan grading and classification in accordance with MAS Notice 612.

All borrowing accounts are categorised into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-Performing accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS Notice 612. Any account which is delinquent (or in excess for a revolving credit facility such as an overdraft) for more than 90 days will be categorised automatically as 'Non-Performing'. In addition, any account that exhibits weaknesses which are likely to jeopardise repayment on existing terms may be categorised as 'Non-Performing'.

Upgrading and declassification of a Non-Performing account to 'Pass' or 'Special Mention' status must be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. We must also be satisfied that once the account is declassified, the account is unlikely to be classified again in the near future.

A restructured account is categorised as Non-Performing and placed on the appropriate classified grade based on our assessment of the financial condition of the borrower and the ability of the borrower to repay under the restructured terms. A restructured account must comply fully with the restructured terms in accordance with MAS Notice 612 before it can be declassified.

The Group provides for impairment of our overseas operations based on local regulatory requirements for local reporting purposes. Where necessary, additional impairment is provided for to comply with the Group's impairment policy and the MAS' requirements.

Group Special Asset Management

Group Special Asset Management (GSAM) manages the non-performing portfolios of the Group. GSAM Restructuring Group proactively manages a portfolio of non-performing loans (NPL) accounts, with the primary intention of nursing these accounts back to health and transferring them back to the respective business units. GSAM Recovery Group manages accounts that the Group intends to exit in order to maximise debt recovery.

Write-Off Policy

A classified account that is not secured by any realisable collateral will be written off either when the prospect of a recovery is considered poor or when all feasible avenues of recovery have been exhausted.

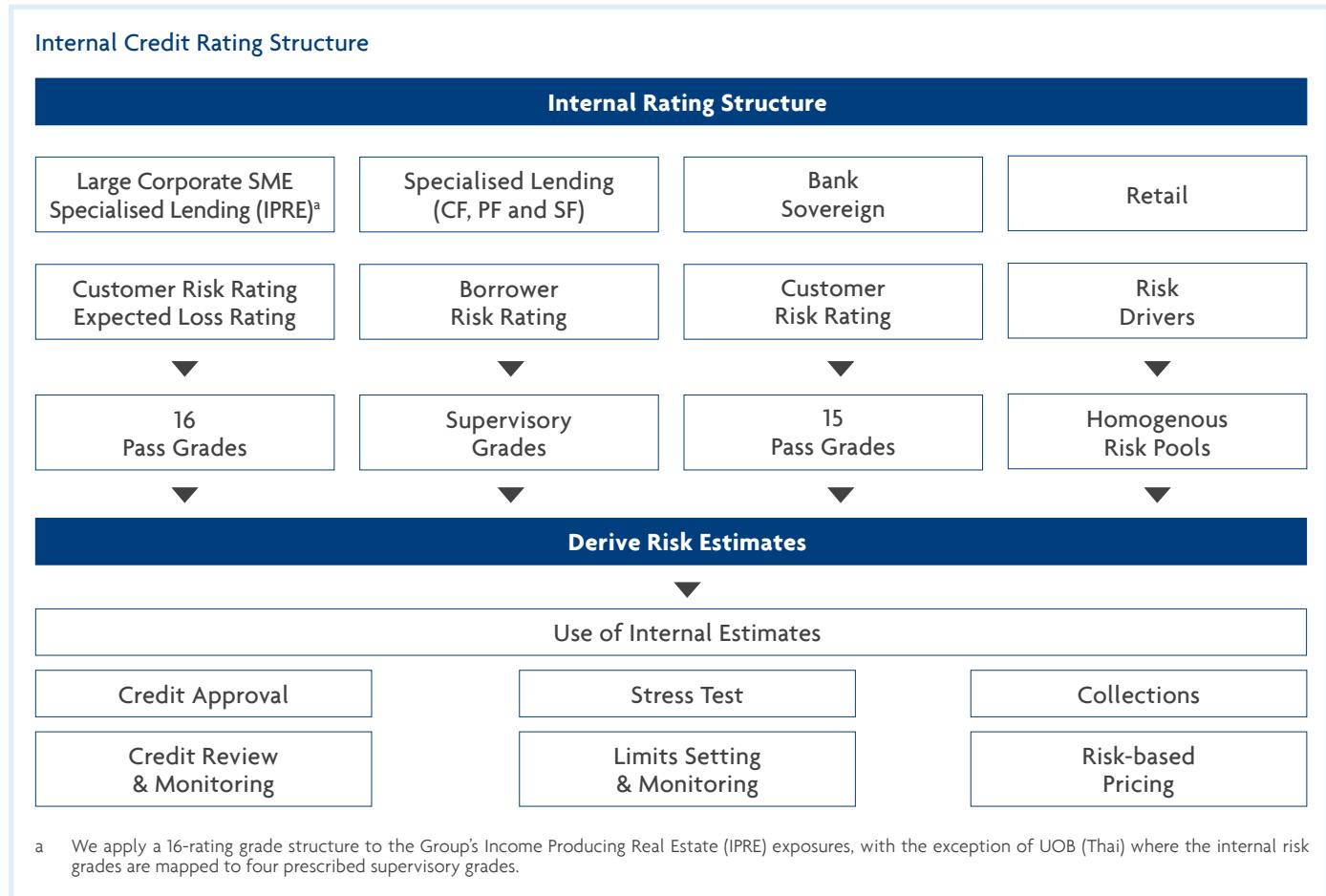
Internal Credit Rating System

We employ internal rating models to support the assessment of credit risk and the assignment of exposures to rating grades or pools. Internal ratings are used pervasively by the Group in the areas of credit approval, credit review and monitoring, credit stress testing, limits setting, pricing and collections.

The Group has established a credit rating governance framework to ensure the reliable and consistent performance of our rating systems. The framework defines the roles and responsibilities of the various parties in the credit rating process, including independent model performance monitoring, annual model validation and independent reviews by Group Audit.

Credit risk models are independently validated before they are implemented to ensure they are fit for purpose. We monitor the robustness of these rating models on an ongoing basis, and all models are subject to annual reviews conducted by model owners to ascertain that the chosen risk factors and assumptions continue to remain relevant for the respective portfolios. All new models, model changes and annual reviews are approved by the CC or BRMC, depending on the materiality of the portfolio.

The Group's internal rating structure is illustrated as follows:



Risk Management

Non-Retail Exposures

We have adopted the FIRB approach for our non-retail exposures. Under this approach, the PD for each borrower is estimated using internal models. These PD models employ qualitative and quantitative factors to provide an assessment of the borrower's ability to meet their financial obligations, and are calibrated to provide an estimate of the likelihood of default over one-year time horizon. A default is considered to have occurred if:

- the obligor is unlikely to pay its credit obligations in full to the Group, without recourse by the Group to actions such as realising the security; or
- the obligor is past due for more than 90 days on any credit obligation to the Group.

Supervisory loss given default (LGD) and exposure at default (EAD) parameters prescribed by the MAS are used together with the internal credit ratings to calculate risk weights and regulatory capital requirements.

While the Group's internal risk rating grades may show some correlation with the rating grades of External Credit Assessment Institutions (ECAIs), they are not directly comparable or equivalent to the ECAI ratings.

Corporate Asset Class

We have developed models to rate exposures in the Large Corporate and SME asset classes. Credit risk factors used to derive a borrower's risk rating include the borrower's financial strength, quality of management, business risks, and the industry in which it operates. The borrower risk rating process is augmented by facility risk ratings, which take into account the type and structure of the facility, availability and type of collateral, and seniority of the exposure.

The Group's internal rating grade structure for the Corporate asset class consists of 16 pass grades. The Large Corporate and SME models are mapped to the rating scale by calibration that takes into account the Group's long-term average portfolio default rate.

Specialised Lending Asset Class

Within the Corporate asset class, we have four sub-classes for Specialised Lending: Income Producing Real Estate (IPRE), Commodities Finance (CF), Project Finance (PF) and Ship Finance (SF). Internal risk grades are derived based on a comprehensive assessment of financial and non-financial risk factors using internal scorecards.

The rating grade structure for IPRE exposures follows that of the Corporate asset class, with 16 pass grades. Risk grades derived for CF, PF and SF exposures are mapped to four supervisory slotting categories as prescribed under MAS Notice 637, which determines the risk weights to be applied to such exposures.

Sovereign Asset Class

Our internal Sovereign scorecard considers public debt levels, balance of payments, fiscal budgets and other macroeconomic, stability and political risk factors to assess sovereign credit risk in a structured and holistic manner. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Bank Asset Class

Our internal Bank scorecard takes into account asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Equity Asset Class

We adopt the following approach for our equity investments:

- Simple Risk Weight (SRW) Method for our equity investment portfolio; and
- Probability of Default/Loss Given Default (PD/LGD) Method for our investments in Tier 1 and Tier 2 perpetual securities issued by banks and funds.

Investment exposures adopting the SRW Method are subject to the supervisory risk weights as prescribed by MAS Notice 637, while investment exposures adopting the PD/LGD Method are rated using the Group's internal Bank scorecard.

Retail Exposures

We have adopted the AIRB approach for our retail exposures, which comprises residential mortgages, qualifying revolving retail exposures and other retail exposures.

Exposures within each of these asset classes are not managed individually, but as part of a pool of similar exposures based on borrower and transaction characteristics. Internal risk segmentation models are used to estimate PD, LGD and EAD parameters for each of these exposure pools based on historical internal loss data. Where internal loss data is insufficient to provide robust risk estimates, the segmentation models may incorporate internal and/or external proxies, and where necessary, may be augmented with appropriate margins of conservatism.

Residential Mortgage Asset Class

This includes any credit facility (such as housing loan, term loan, overdraft) secured against a mortgage of a residential property or properties which meet criteria stipulated by the MAS. We assess and manage our residential mortgage exposures using the Group's framework of credit policies, procedures and risk segmentation models.

Qualifying Revolving Retail Exposures (QRRE) Asset Class

This includes credit card exposures and unsecured credit lines which meet the criteria stipulated by the MAS. We assess and manage QRRE using a combination of application and behavioural scorecards, risk segmentation models, as well as internal credit policies and procedures.

Other Retail Asset Class

This includes commercial properties, car loans, share financing and any other retail exposures not classified as Residential Mortgage or QRRE. We assess and manage these exposures using the Group's framework of credit policies, procedures and risk segmentation models.

Securitisation Exposures

The Group has investments in asset-backed securities (ABSs) classified under 'available-for-sale' in our investment portfolio. Securitised assets are valued at average bid prices sourced through brokers, banks and independent third party pricing vendors. This is based on the assumption that the asset can be sold at these bid prices. There is no change to the methods and key assumptions for valuing positions from the previous period.

Risk weights for securitisation exposures are computed using the Ratings-Based Method for such exposures as prescribed under MAS Notice 637.

Credit Exposures Subject to Standardised Approach

The Group applies the SA for portfolios which are immaterial in terms of both size and risk profile and for transitioning portfolios. We will progressively migrate our transitioning portfolios, such as UOB Indonesia's exposures and exposures to non-bank financial institutions, to the IRB approach over the next few years, subject to the approval of the MAS.

For exposures subject to the SA, we use approved ECAI ratings and prescribed risk weights based on asset class in the computation of regulatory capital.

The ECAI used are Fitch Ratings, Moody's Investors Service and Standard & Poor's. ECAI ratings are mapped to a common credit quality grade prescribed by the MAS.

Market Risk

Market risk is governed by the ALCO, which meets monthly to review and provide directions on market risk matters. The Market Risk Management (MRM) and Balance Sheet Risk Management (BSRM) Divisions support the BRMC, RCC and the ALCO with independent assessment of the market risk profile of the Group.

The Group's market risk framework comprises market risk policies, practices, and the control structure with appropriate delegation of authority and market risk limits. We employ valuation methodologies that are in line with sound market practices, and we independently validate valuation and risk models. In addition, a New Product/Service Programme process ensures that market risk issues identified are adequately addressed prior to the launch of products and services. We continually review and enhance our management of derivatives risks to ensure that the complexities of the business are appropriately controlled.

Our overall market risk appetite is balanced at the Group, Bank and business unit levels with targeted revenue and takes into account the capital position of the Group and the Bank. This ensures that the Group and the Bank remain well-capitalised, even under stress conditions. The risk appetite is translated into risk limits that are delegated to business units. These risk limits have proportional returns that are commensurate with the risks taken.

Market risk appetite is provided for all trading exposure within the Group as well as the Group's non-trading foreign exchange (FX) exposures. Majority of the non-trading FX exposures are arising from the investment in the overseas subsidiaries in Asia.

Standardised Approach

The Group currently adopts the SA for the calculation of regulatory market risk capital but uses Internal Models Approach to measure and control trading market risks. The financial products warehoused, measured and controlled with internal models include FX and FX options, plain vanilla interest rate contracts and interest rate options, government and corporate bonds, equities and equity options, commodities contracts and commodity options.

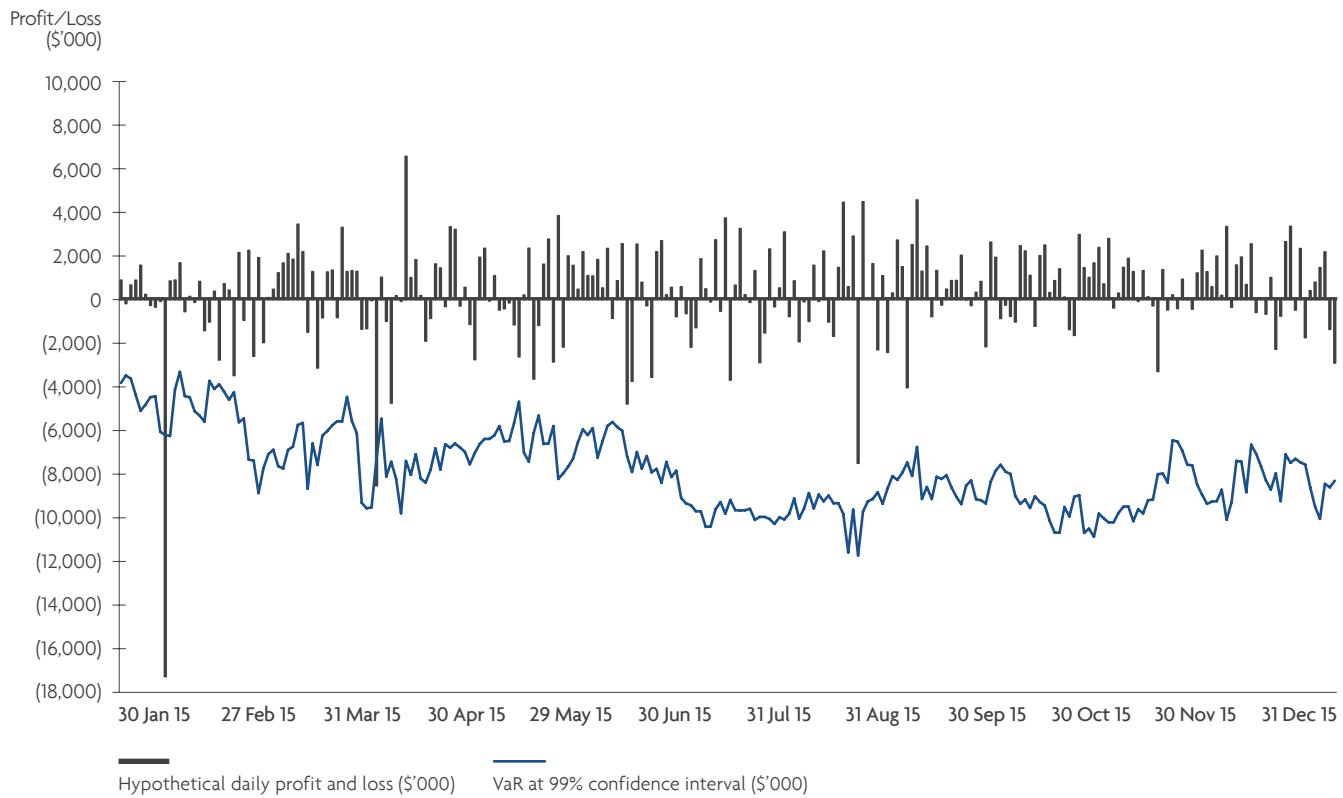
Internal Model Approach

The Group estimates a daily Value-at-Risk (VaR) within a 99 per cent confidence interval, using the historical simulation method, as a control for market risk. The method assumes that possible future changes in market rates may be implied by observed historical market movements.

Risk Management

Group Trading Backtesting Chart

(Hypothetical daily profit and loss versus VaR at 99% confidence interval)

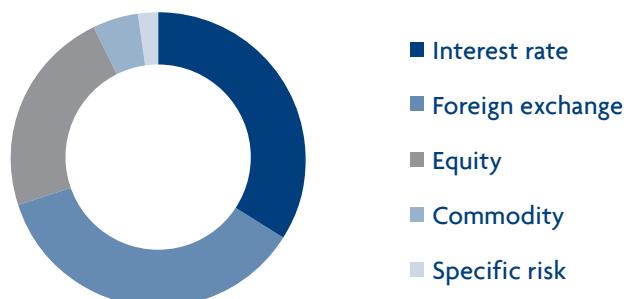


As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit and loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtest exceptions are tabled at the ALCO with recommended actions and resolutions.

To complement the VaR measure, we perform stress and scenario tests to identify the Group's vulnerability to event risk. These tests serve to provide early warnings of plausible extreme losses to facilitate proactive management of market risk.

The Group's daily VaR on 31 December 2015 was \$8.34 million.

Group Trading VaR for General Market Risk by Risk Class^a



^a The contribution from commodity risk is insignificant.

Interest Rate Risk in the Banking Book

The ALCO maintains oversight of the effectiveness of the interest rate risk management structure. The BSRM Division supports the ALCO in monitoring the interest rate risk profile of the banking book.

Our primary objective of interest rate risk management is to protect and to enhance capital or economic net worth through adequate, stable and reliable growth in net interest earnings under a broad range of possible economic conditions.

Banking book interest rate risk exposure is quantified on a monthly basis using a combination of static analysis tools and dynamic simulation techniques. Static analysis tools include repricing schedules and sensitivity analysis. They provide indications of the potential impact of interest rate changes on interest income and price value through the analysis of the sensitivity of assets and liabilities to changes in interest rates. Interest rate sensitivity varies with different repricing periods, currencies and embedded options. Mismatches in the longer tenor will experience greater change in the price-value of interest rate positions than similar positions in the shorter tenor.

In the dynamic simulation process, we apply both the earnings and Economic Value of Equity (EVE) approaches to assess interest rate risk. We estimate the potential effects of interest rate change on interest income by simulating the possible future course of interest rates, expected changes in business activities over time, as well as the effects of embedded options. Embedded options may be in the form of loan prepayment and deposit pre-upliftment. Changes in interest rates are simulated using different interest rate scenarios such as changes in the shape of the yield curve, including high and low rates, as well as positive and negative tilt scenarios.

In EVE sensitivity simulations, we compute the present values for repricing cash flows, with the focus on changes in EVE under different interest rate scenarios. This economic perspective measures interest rate risks across the full maturity profile of the balance sheet, including off-balance sheet items.

We also perform stress testing regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating the proactive management of interest rate risks in an environment of rapid financial market changes.

The risks arising from the trading book, such as interest rates, foreign exchange rates and equity prices are managed and controlled under the market risk framework.

Liquidity Risk

The Group maintains sufficient liquidity to fund our day-to-day operations, to meet deposit withdrawals and loan disbursements, to participate in new investments, and to repay borrowings. Hence, liquidity is managed in a manner to address known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approved by the ALCO. These policies, controls and limits enable the Group to monitor and to manage liquidity risk to ensure that sufficient sources of funds are available over a range of market conditions. These include minimising excessive funding concentrations by diversifying the sources and terms of funding as well as maintaining a portfolio of high quality and marketable debt securities.

We take a conservative stance in the Group's liquidity management by continuing to gather core deposits, ensuring that liquidity limits are strictly adhered to and that there are adequate liquid assets to meet cash shortfall.

The distribution of deposits is managed actively to ensure a balance between cost effectiveness, continued accessibility to funds and diversification of funding sources. Important factors in ensuring liquidity are competitive pricing, proactive management of the Group's core deposits and the maintenance of customer confidence.

Our liquidity risk is aligned with the regulatory liquidity risk management framework and is measured and managed on a projected cash flow basis. The Group is monitored under business-as-usual and stress scenarios. Cash flow mismatch limits are established to limit the Group's liquidity exposure. We also employ liquidity early warning indicators and trigger points to signal possible contingency situations. With regard to the regulatory requirements on Liquidity Coverage Ratio (LCR) which are effective from 1 January 2015, the Group's ratios were above 100 per cent for both the All-currency LCR and the Singapore dollar LCR as at 31 December 2015.

We have contingency funding plans in place to identify potential liquidity crises using a series of warning indicators. Crisis management processes and various strategies including funding and communication have been developed to minimise the impact of any liquidity crunch.

Risk Management

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes regulatory, legal and reputation risks but excludes strategic risk.

Our objective is to manage operational risk at appropriate levels relative to the markets in which the businesses operate.

Operational Risk Governance, Framework and Tools

Operational risk is managed through a framework of policies and procedures by which business and support units properly identify, assess, monitor, mitigate and report their risks. The ORMC meets monthly to provide oversight of operational risk matters across the Group.

The Operational Risk Governance structure adopts the Three Lines of Defence Model. The businesses, as the first line of defence, are responsible for establishing a robust control environment as part of their day-to-day operations. Each business is responsible for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities.

Operational Risk Management Division, as the second line of defence, oversees the management of operational risk. It exercises governance over operational risk through providing relevant frameworks, policies, tools and systems, quality assurance of internal controls as well as operational risk measurement. It also monitors and reports operational risk issues to Senior Management, the relevant management committees and the Board.

Group Audit acts as the third line of defence by providing an independent and objective assessment on the overall effectiveness of the risk governance framework and internal control through periodic audit reviews.

A key component of the operational risk management framework is risk identification and control self-assessments. This is achieved through the Group-wide implementation of a set of operational risk tools. Several risk mitigation policies and programmes are in place to maintain a sound operating environment.

We have a business continuity and crisis management programme in place to ensure prompt recovery of critical business functions should there be unforeseen events. Our Senior Management provides an annual attestation to the Board on the state of business continuity readiness of the Group.

We have also established a technology risk management framework to enable the Group to manage technology risks in a systematic and consistent manner. Group Technology and Operations provides annual attestation to the Board Risk Management Committee on the soundness and robustness of the technology risk management framework.

Regulatory risk refers to the risk of non-compliance with laws, regulations, rules, standards and codes of conduct. We identify, monitor and manage this risk through a structured governance framework of Compliance policies, procedures and guidelines maintained by the Group. The framework also manages the risk of regulatory breaches and sanctions relating to Anti-Money Laundering and Countering the Financing of Terrorism.

The Group actively manages fraud risk and bribery risks. Tools and policies, including a whistle-blowing programme, a material risk notification protocol and a fraud risk awareness training programme, have been developed to manage such risks. All employees are guided by a Code of Conduct, which includes anti-bribery and corruption provisions.

Legal risk arises from unenforceable, unfavourable, defective or unintended contracts, lawsuits or claims, developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work with the Bank's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

Reputation risk is the risk of adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion of the Group's business practices, activities and financial condition. The Group recognises the impact of reputation risk and we have developed a framework to identify and to manage the risk across the Group.

Our Group insurance programme which covers crime, fraud, civil liability, property damage, public liability, as well as directors' and officers' liability enables us to mitigate operational losses resulting from significant risk events.

Capital Management

UOB's capital management objective is to ensure that the Group maintains an optimal capital level that is adequate to support business growth and strategic investment opportunities. It is also to meet regulatory requirements and maintain the strong credit rating for which UOB is noted by our external stakeholders who include our depositors and investors. We also seek to be efficient in our capital mix, to keep our overall cost of capital low, and to deliver sustainable returns in the form of dividends to our shareholders.

Our Approach

We actively monitor and manage the Group's capital position over the medium term through the Group's Internal Capital Adequacy Assessment Process (ICAAP), which includes:

- setting capital targets for the Bank and its banking subsidiaries. As part of this we take into account anticipated future regulatory changes and stakeholder expectations;
- forecasting capital demand for material risks based on the Group's risk appetite. This is evaluated across all business segments and banking entities and includes the Group's capital position before and after mitigation actions under adverse economic conditions; and
- determining the capital issuance requirements and capital securities maturity profile.

Two committees oversee our capital planning and assessment process. The Board Risk Management Committee (BRMC) assists the Board with the management of risks arising from the business of the Group while the Risk and Capital Committee manages the Group's ICAAP and overall risk profile and capital requirements of the Group. Each quarter, the BRMC and Senior Management are updated on the Group's capital position. The capital management plan, the contingency capital plan, as well as any capital management actions, are submitted to the senior management team and/or the Board for approval.

The Bank is the primary equity capital provider to the Group's entities. The investments made in Group entities are funded mainly by the Bank's own retained earnings and capital issuance. The Group's banking subsidiaries manage their own capital to support their planned business growth and to meet regulatory requirements within the context of the Group's capital plan. Capital generated by subsidiaries in excess of planned requirements is returned to the Bank by way of dividends. There was no impediment to subsidiaries paying their dividends during the year.

Regulatory Updates

As a Domestic Systemically Important Bank (D-SIB) in Singapore, UOB is subject to stricter policy measures such as higher capital requirements imposed by the Monetary Authority of Singapore (MAS).

For the year of 2015, we were required to maintain minimum Common Equity Tier 1 (CET1), Tier 1 and Total Capital Adequacy Ratio (CAR) of 6.5 per cent, 8 per cent and 10 per cent respectively at Bank and Group levels. The capital requirements will increase progressively over time to 9 per cent, 10.5 per cent and 12.5 per cent by 1 January 2019.

In line with Basel III, the capital conservation buffer (CCB) and countercyclical buffer (CCyB) will be phased-in from 1 January 2016 to 1 January 2019. The CCB ensures banks build up capital outside periods of stress, so that the buffer may be drawn down when losses are incurred. The CCyB is not an ongoing requirement but only applied on a discretionary basis by the relevant banking supervisors. Both buffers are to be maintained in the form of CET1 capital.

The regulatory frameworks are still evolving. In October 2015, the MAS released a Consultative Paper on proposed amendments to MAS Notice 637 to implement revisions to the Basel III Capital Framework. The proposed amendments are intended to enhance the risk capture of banks' equity exposures and counterparty credit risk exposures. In addition, the revised Pillar 3 disclosure requirements aim to improve the consistency and comparability of banks' disclosures on risk-weighted assets. We conduct regular reviews of the regulatory landscape and anticipate possible implications in relation to the management of capital, risks, funding and liquidity.

Capital Management

Capital position as at 31 December 2015

There are three categories of regulatory capital:

- CET1 Capital is the highest form of capital and comprises paid-up ordinary share capital, disclosed reserves and qualifying minority interest.
- Additional Tier 1(AT1) Capital comprises eligible non-cumulative non-convertible perpetual securities, and ineligible preference shares subject to partial recognition under Basel III transitional rules.
- Tier 2 Capital comprises subordinated notes and accounting provisions in excess of Basel expected loss.

The Group's CET1 CAR, Tier 1 CAR and Total CAR as at 31 December 2015 were comfortably above the regulatory minimum of 6.5 per cent, 8 per cent and 10 per cent respectively. The Group's leverage ratio also well exceeds the minimum 3 per cent applied during the Basel parallel run period from 1 January 2013 to 1 January 2017.

The table below shows the consolidated capital position of the Group as at 31 December 2015 and 31 December 2014.

	2015 \$ million	2014 \$ million
Common Equity Tier 1 Capital		
Share capital	3,704	3,715
Disclosed reserves/others	24,762	23,590
Regulatory adjustments	(2,448)	(2,408)
Common Equity Tier 1 Capital	26,018	24,897
Additional Tier 1 Capital		
Preference shares/others	2,179	2,180
Regulatory adjustments - capped	(2,179)	(2,180)
Tier 1 Capital	26,018	24,897
Tier 2 Capital		
Subordinated notes	4,505	4,405
Provisions/others	1,028	918
Regulatory adjustments	(201)	(12)
Eligible Total Capital	31,350	30,208
Risk-Weighted Assets (RWA)		
Credit risk	166,377	148,627
Market risk	21,620	18,295
Operational risk	12,656	11,870
Total RWA	200,654	178,792
Capital Adequacy Ratios (%)		
CET1	13.0	13.9
Tier 1	13.0	13.9
Total	15.6	16.9
Proforma CET1 (based on final rules effective 1 Jan 2018)	11.7	12.6
Leverage Exposure	355,932	NA
Leverage Ratio (%)	7.3	NA

Our banking subsidiaries outside Singapore are also required to comply with the regulatory requirements in their respective countries of operation. As at 31 December 2015, the capital adequacy ratios of the major banking subsidiaries were above their respective local requirements.

	Total Risk- Weighted Assets \$ million	2015		
		CET1 %	Tier 1 %	Total %
United Overseas Bank (Malaysia) Bhd	17,477	12.3	12.3	15.5
United Overseas Bank (Thai) Public Company Limited	10,349	16.2	16.2	18.8
PT Bank UOB Indonesia	7,472	13.9	13.9	16.2
United Overseas Bank (China) Limited	6,259	22.9	22.9	23.5

More information on regulatory disclosure is available on the UOB website at www.UOBGroup.com/investor/financial/overview.html.

Pillar 3 Quantitative Disclosure

In compliance with the requirements under Basel Pillar 3 and the Monetary Authority of Singapore (MAS) Notice 637 Public Disclosure, various additional quantitative and qualitative disclosures have been included in the annual report under the sections on 'Capital Management', 'Risk Management', 'Remuneration', 'Pillar 3 Quantitative Disclosure', 'Management Discussion and Analysis' and 'Notes to the Financial Statements'. The disclosures are to facilitate the understanding of the UOB Group's risk profile and assessment of the Group's capital adequacy.

Scope of Application

In accordance with the accounting standards for financial reporting, all subsidiaries of the Group are fully consolidated from the date the Group obtains control until the date such control ceases. The Group's investment in associates is accounted for using the equity method from the date the Group obtains significant influence over the associates until the date such significant influence ceases.

However, for the purpose of computing capital adequacy requirements at the Group level, investments in a subsidiary that carries out insurance business as an insurer are excluded from the consolidated financial statements of the Group. In compliance with MAS Notice 637 on capital adequacy, such investments are deducted from regulatory capital.

The transfer of funds or regulatory capital within the Group is generally subject to regulatory approval.

* Semi-annual updates are available on UOB's website at www.UOBGroup.com

Summary of Exposure at Default (EAD) and Risk Weighted Assets (RWA)

	EAD \$ million	RWA \$ million
Credit Risk		
Internal Ratings-Based (IRB) Approach		
Corporate	141,526	106,121
Sovereign	43,875	1,186
Bank	34,053	7,140
Residential Mortgage ^a	68,240	9,971
Qualifying Revolving Retail ^a	6,599	2,312
Other Retail ^a	20,020	4,429
Equity	1,885	6,539
Securitisation	43	68
Total IRB Approach	316,241	137,766
Standardised Approach^b		
Corporate	9,030	8,525
Sovereign	1,744	274
Bank	1,478	180
Regulatory Retail	1,279	978
Residential Mortgage	1,717	724
Commercial Real Estate	2,551	2,577
Fixed Assets	3,027	3,027
Other Exposures	5,807	3,357
Total Standardised Approach	26,633	19,642
Credit Valuation Adjustment	1,849	
Central Counterparties		452
Investments approved under section 32 of the Banking Act (below threshold for deduction)		6,668
Total Credit Risk		166,377
Market Risk		
Standardised Approach		21,620
Operational Risk		
Standardised Approach		12,656
Total		200,654

a Credit exposures under Advanced IRB Approach.

b Amount under Standardised Approach refers to credit exposure where IRB Approach is not applicable, or portfolios that will eventually adopt IRB Approach.

Based on the Group's Total RWA, the Group's minimum capital requirement as at 31 December 2015 is \$20,065 million.

Credit Risk Exposures

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:

	Average ^a \$ million	End \$ million
Balances and placements with central banks	37,614	30,543
Singapore Government treasury bills and securities	6,853	6,865
Other government treasury bills and securities	10,553	12,644
Trading debt securities	1,164	1,087
Placements and balances with banks	27,110	28,646
Loans to customers	200,433	203,611
Derivative financial assets	6,843	6,422
Investment debt securities	7,400	7,312
Others	2,719	3,905
	300,689	301,035
Contingent liabilities	19,154	19,008
Commitments (excluding operating lease and capital commitments)	133,927	142,974
	453,770	463,017

a Average balances are computed based on quarter-end exposure.

Credit Exposures by Residual Contractual Maturity

The following table shows the Group's credit exposures by remaining contractual maturities.

	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
Balances and placements with central banks	14,452	2,395	3,121	4,117	–	–	6,458	30,543
Singapore Government treasury bills and securities	–	–	–	2,458	1,198	3,095	114	6,865
Other government treasury bills and securities	20	265	1,966	3,467	5,967	894	65	12,644
Trading debt securities	–	15	–	360	132	525	55	1,087
Placements and balances with banks	9,611	5,123	5,443	5,969	597	222	1,681	28,646
Loans to customers	8,338	15,691	13,066	18,807	33,189	109,118	5,402	203,611
Derivative financial assets	–	–	–	–	–	–	6,422	6,422
Investment debt securities	22	17	522	1,090	1,905	3,594	162	7,312
Others	–	–	–	–	–	–	3,905	3,905
Total	32,443	23,506	24,118	36,268	42,988	117,448	24,264	301,035

The majority of the Group's off-balance sheet credit exposures are short-term commitments with maturity of less than 1 year.

Pillar 3 Quantitative Disclosure

Counterparty Credit Risk Exposures

	\$ million
Gross positive fair value of contracts	11,761
Netting effects	(3,072)
Exposure under current exposure method	8,689
Analysed by type:	
Interest rate contracts	3,093
Foreign exchange contracts and gold	3,479
Equity contracts	860
Credit derivative contracts	59
Precious metals and other commodity contracts	1,198
Collateral held	
Financial Collateral	(874)
Other	(5)
Net derivatives credit exposure	7,810

Credit Derivative Exposures

	Notional amounts bought \$ million	Notional amounts sold \$ million
Own credit portfolio	561	–
Intermediation portfolio	255	255
Total credit default swaps	816	255

Credit Exposures Secured by Eligible Collateral, Guarantees and Credit Derivatives

	Amount by which total exposures are covered by: Eligible Collateral ^a \$ million			Credit Protection \$ million
Standardised				
Corporate	1,737		167	
Bank	211		–	
Retail	202		2	
Commercial Real Estate	15		7	
Others	850		3	
Standardised Total	3,015		179	
FIRB				
Corporate	18,225 ^b		13,187	
Sovereign	2,355		–	
Bank	2,926		50	
FIRB Total	23,506		13,237	
Total	26,521		13,416	

a The Group currently uses supervisory prescribed haircuts for eligible financial collateral

b Include other eligible collateral of \$12,435 million

Credit Exposures Subject to Standardised Approach

Risk Weights	Net Exposures ^a \$ million
0% to 35%	6,721
50% to 75%	2,566
100% and above	17,346
Total	26,633

a Net exposures after credit mitigation and provisions

RWA based on the Assessments of Each Recognised ECAI

ECAI	RWA \$ million
Moody's	575
S&P	192
Fitch	17
Total	784

ECAI : External Credit Assessment Institution

Credit Exposures Subject to Supervisory Risk Weight under IRB Approach

Risk Weights	Specialised Lending \$ million	Equity (SRW Method) \$ million
0% to 50%	1,561	–
51% to 100%	3,157	–
101% and above	1,006	1,569
Total	5,724	1,569

SRW : Simple Risk Weight

Risk Weights	Securitisation ^a \$ million
0% to 50%	38
1250%	5
Total	43

a Securitisation exposures purchased

Credit Risk Profile

The following tables show the breakdown of exposures by RWA and EAD using the respective internal rating scale for the model applicable to the asset classes:

Large Corporate, SME and Specialised Lending (IPRE) Exposures

CRR Band	PD Range	Credit			Exposure-weighted Average Risk Weights %
		RWA \$ million	EAD \$ million	%	
1 – 9	Up to 2.37%	82,624	120,530	69	
10 – 16	> 2.37%	19,053	14,086	135	
Default		–	1,187	–	
Total		101,677	135,803	75	

SME : Small- and Medium-sized Enterprises

IPRE : Income Producing Real Estate

CRR : Customer Risk Rating

Specialised Lending (CF, PF, SF and UOB (Thai)'s IPRE) Exposures

CRR Band	Credit RWA		EAD \$ million	Risk Weights %	Exposure-weighted Average
	\$ million				
Strong	1,422		2,178	65	
Good	1,626		1,894	86	
Satisfactory	1,080		886	122	
Weak	316		119	265	
Default	–		646	–	
Total	4,444		5,723	78	

CF : Commodities Finance

PF : Project Finance

SF: Ship Finance

Sovereign Exposures

CRR Band	PD Range	Credit		Exposure-weighted Average Risk Weights %
		RWA \$ million	EAD \$ million	
1 – 9	Up to 0.28%	954	43,677	2
10 – 16	> 0.28%	232	198	117
Default		–	–	NA
Total		1,186	43,875	3

Bank Exposures

CRR Band	PD Range	Credit		Exposure-weighted Average Risk Weights %
		RWA \$ million	EAD \$ million	
1 – 9	Up to 0.28%	3,634	27,681	13
10 – 16	> 0.28%	3,506	6,372	55
Default		–	–	NA
Total		7,140	34,053	21

Equity (PD/LGD Method) Exposures

CRR Band	PD Range	Credit		Exposure-weighted Average Risk Weights %
		RWA \$ million	EAD \$ million	
1 – 9	Up to 0.28%	269	186	144
10 – 16	> 0.28%	473	130	365
Default		–	–	NA
Total		742	316	235

PD: Probability of Default

LGD : Loss Given Default

Pillar 3 Quantitative Disclosure

Retail (Residential Mortgage) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	4,115	49,614	8	11	3,749
> 1 to 2%	1,227	7,190	17	10	279
> 2%	4,322	10,854	40	11	655
Default	307	582	53	17	0
Total	9,971	68,240	15	11	4,683

Retail (QRRE) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	431	3,765	11	43	1,797
> 1 to 2%	232	1,312	18	34	884
> 2%	1,526	1,471	104	63	284
Default	123	51	242	71	0
Total	2,312	6,599	35	46	2,965

QRRE : Qualifying Revolving Retail Exposures

Retail (Other Retail) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	1,536	12,807	12	16	2,176
> 1 to 2%	555	2,213	25	21	563
> 2%	1,881	4,785	29	25	534
Default	457	215	213	37	0
Total	4,429	20,020	22	19	3,273

Expected Loss and Actual Loss by Asset Class

Actual loss consists of impairment loss allowance and write-off to the Group's income statement for the financial year ended 31 December 2015.

Asset Class	Actual loss \$ million	Expected Loss ^a	
		(as at 31 December 2014) \$ million	
Corporate	142	589	
Sovereign	–	3	
Bank	–	24	
Retail	151	333	
Total	293	949	

a Excludes defaulted exposures

Comparison of Actual Loss and Expected Loss by Asset Class

The actual loss for the Group's IRB portfolio in 2015 was lower than the Expected Loss (EL) that was estimated for 2015 at the end of December 2014. The Group continues to be proactive in its risk management approach to ensure that actual losses remained within the Group's expectations.

EL is the estimated credit loss from defaults over a one-year horizon. EL is the product of PD, LGD and EAD. A comparison of actual loss and expected loss provides an indication of the predictive power of the IRB models used by the Group. However, they are not directly comparable due to the following reasons:

- EL as at 31 December 2014 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years; and
- EL is estimated based on non-default exposures only, while impairment loss allowance is an accounting estimate of likely loss from defaulted exposures. Write-offs are recorded on defaulted exposures when no further recovery is possible.

Total Loans and Advances (By Performing and Non-performing)

	\$ million
Performing Loans	
Neither past due nor impaired	199,477
Past due but not impaired	5,012
Non-Performing Loans	2,882
Total Gross Loans	207,371
Specific Allowances	773
General Allowances	2,988
Total Net Loans	203,610

Pillar 3 Quantitative Disclosure

Movement of Specific Allowances by Industry

	Balance as at 1 January 2015 \$ million	Net charge to income statement* \$ million	Write-off \$ million	Exchange and other movements \$ million	Balance at 31 December 2015 \$ million
Transport, storage and communication	226	92	(3)	6	321
Building and construction	44	25	(12)	(1)	56
Manufacturing	126	31	(49)	(5)	103
Financial institutions	6	2	-	-	8
General commerce	110	65	(44)	(3)	128
Professionals and private individuals	92	14	(35)	-	71
Housing Loans	40	44	(4)	(2)	78
Others	13	4	(8)	(1)	8
Total*	657	278	(155)	(6)	773

* Figure does not add up to the respective totals due to rounding.

Market Risk

Capital requirements by market risk type under Standardised Approach:

Analysed by Risk Type	\$ million
Interest rate	750
Equity	24
Foreign Exchange	866
Commodity	90
Total	1,730

This comprises all Trading Book, Non-Trading Commodity and Non-Trading FX Exposures.

Equity Exposures in the Banking Book

The following table shows the value of the Equity exposures under IRB Approach in the banking book:

	SRW Method		PD/LGD Method	
	EAD \$ million	Exposure- weighted Average Risk Weights %	EAD \$ million	Exposure- weighted Average Risk Weights %
Listed securities	806	318	255	216
Other equity holdings	763	424	61	312
Total	1,569		316	

Total equity exposures that were deducted from capital amounted to \$59 million.

Gains and Losses

	Unrealised Gains/ (Losses) Eligible as CET1 Capital \$ million	Realised Gains/ (Losses) during the Period \$ million
Total	1,387	237

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

31 December 2015

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Notes:

Certain comparative figures have been restated to conform with the current year's presentation.
Certain figures in this section may not add up to the relevant totals due to rounding.
Amounts less than \$500,000 in absolute term are shown as "0".
"NM" denotes not meaningful.

Management Discussion and Analysis

Overview

	2015	2014	+/(-) %
Selected income statement items (\$ million)			
Net interest income	4,926	4,558	8.1
Fee and commission income	1,883	1,749	7.7
Other non-interest income	1,238	1,151	7.6
Total income	8,048	7,457	7.9
<u>Less: Total expenses</u>	<u>3,597</u>	<u>3,146</u>	<u>14.3</u>
Operating profit	4,451	4,311	3.2
<u>Less: Total allowances</u>	<u>672</u>	<u>635</u>	<u>5.7</u>
<u>Add: Share of profit of associates and joint ventures</u>	<u>90</u>	<u>149</u>	<u>(40.0)</u>
Net profit before tax	3,869	3,825	1.1
<u>Less: Tax and non-controlling interests</u>	<u>660</u>	<u>576</u>	<u>14.6</u>
Net profit after tax¹	3,209	3,249	(1.2)
Selected balance sheet items (\$ million)			
Net customer loans	203,611	195,903	3.9
Customer deposits	240,524	233,750	2.9
Total assets	316,011	306,736	3.0
Shareholders' equity ¹	30,768	29,569	4.1
Key financial ratios (%)			
Net interest margin	1.77	1.71	
Non-interest income/Total income	38.8	38.9	
Expense/Income ratio	44.7	42.2	
Overseas profit before tax contribution	38.9	38.7	
Loan charge off rate (bp)			
Exclude general allowances	19	12	
Include general allowances	32	32	
Non-performing loans ratio ²	1.4	1.2	
Return on average total assets	1.03	1.10	
Return on average ordinary shareholders' equity ³	11.0	12.3	
Loan/Deposit ratio ⁴	84.7	83.8	
Liquidity coverage ratios (LCR) ⁵			
All-currency	143	NA	
Singapore dollar	179	NA	
Capital adequacy ratios			
Common Equity Tier 1	13.0	13.9	
Tier 1	13.0	13.9	
Total	15.6	16.9	
Leverage ratio ⁶	7.3	NA	
Earnings per ordinary share (\$) ³			
Basic	1.94	1.98	
Diluted	1.93	1.97	
Net asset value (NAV) per ordinary share (\$) ⁷	17.84	17.09	
Revalued NAV per ordinary share (\$) ⁷	20.56	19.73	

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

2 Refer to non-performing loans as a percentage of gross customer loans.

3 Calculated based on profit attributable to equity holders of the Bank net of preference share dividends and capital securities distributions.

4 Refer to net customer loans and customer deposits.

5 Figures reported are based on average LCR for the respective period. A minimum requirement of Singapore dollar LCR of 100% and all-currency LCR of 60% is required to be maintained at all times with effect from 1 January 2015, with all-currency LCR increasing by 10% each year to 100% by 2019.

6 Leverage ratio is calculated based on the revised MAS Notice 637 which took effect from 1 January 2015. A minimum requirement of 3% is applied during the parallel run period from 1 January 2013 to 1 January 2017.

7 Preference shares and capital securities are excluded from the computation.

Performance Review

The Group reported a net profit after tax of \$3.21 billion for 2015, a marginal decline of 1.2% from a year ago as prior year results included a higher write-back of tax provisions. Total income grew 7.9% to reach \$8.05 billion, led by strong client franchise income and higher gains on sale of investment securities.

Net interest income grew 8.1% to \$4.93 billion on the back of healthy loan growth and improved net interest margin. Net interest margin increased 6 basis points to 1.77%, benefiting from rising interest rates in Singapore.

Non-interest income rose 7.7% to \$3.12 billion in 2015. Fee income grew 7.7% to \$1.88 billion with credit card, fund management and wealth management activities registering steady growth. Trading and investment income increased 16.8% to \$954 million on higher gains on sale of securities as well as healthy growth in treasury customer income.

Total expenses increased 14.3% to \$3.60 billion on higher staff costs, revenue and IT-related expenses as the Group continued to invest in people and technology capabilities. The increase was also partly due to a prior year bonus adjustment and a one-off expenditure of \$67 million incurred for Singapore's Golden Jubilee (SG50) and UOB's 80th anniversary (UOB80) commemorative events and the launch of a group-wide brand campaign. Expense-to-income ratio was 44.7%, or 43.4% on a normalised basis.

Total allowances were higher at \$672 million, while total loan charge off rate remained at 32 basis points. Specific allowances on loans increased 64.4% to \$392 million mainly from non-performing loans (NPL) accounts in Singapore, Indonesia and Greater China. The Group provided general allowances of \$196 million during the year and the general allowances coverage ratio remained strong at 1.4% of the loan book as at 31 December 2015.

Contribution from associates' profits of \$90 million in 2015 was 40.0% lower mainly due to a non-recurring gain from the disposal of associates in 2014.

Tax expense increased 15.7% to \$649 million, mainly due to a lower write-back of prior years' provisions.

Gross loans grew 4.0% year-on-year to \$207 billion as at 31 December 2015. In constant currency terms, the underlying loan growth was 5.4%.

The Group's liquidity position remained strong with customer deposits increasing 2.9% from a year ago to \$241 billion as at 31 December 2015, contributed mainly by growth in Singapore dollar and US dollar deposits. The Group's loan-to-deposit ratio stayed healthy at 84.7% as at 31 December 2015. The quarter-average Singapore dollar and all-currency liquidity coverage ratios were 217% and 142% respectively, well above the regulatory requirements of 100% and 60%.

Group NPL ratio remained stable at 1.4% as at 31 December 2015 while NPL coverage was 130.5%, and 315.7% after taking collateral into account.

Shareholders' equity increased 4.1% from a year ago to \$30.8 billion as at 31 December 2015, largely contributed by net profits and improved valuations on available-for-sale investments. Return on equity was 11.0% for 2015.

As at 31 December 2015, the Group's strong capital position remained well above the MAS minimum requirements with Common Equity Tier 1 and Total CAR at 13.0% and 15.6% respectively. The Group's leverage ratio stood at 7.3% as at 31 December 2015, well above the minimum requirement of 3%.

Management Discussion and Analysis

Net Interest Income

Net Interest Margin

	2015			2014		
	Average balance \$ million	Interest \$ million	Average rate %	Average balance \$ million	Interest \$ million	Average rate %
Interest Bearing Assets						
Customer loans	200,337	6,675	3.33	190,773	5,913	3.10
Interbank balances	52,318	627	1.20	48,851	693	1.42
<u>Securities</u>	<u>25,441</u>	<u>524</u>	<u>2.06</u>	<u>27,176</u>	<u>584</u>	<u>2.15</u>
Total	278,096	7,826	2.81	266,801	7,189	2.69
Interest Bearing Liabilities						
Customer deposits	239,674	2,559	1.07	217,548	2,252	1.04
Interbank balances/others	30,208	341	1.13	40,438	380	0.94
Total	269,882	2,900	1.07	257,986	2,632	1.02
Net interest margin¹		1.77				1.71

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

Volume and Rate Analysis

	2015 vs 2014			2014 vs 2013		
	Volume change \$ million	Rate change \$ million	Net change \$ million	Volume change \$ million	Rate change \$ million	Net change \$ million
Interest Income						
Customer loans	296	465	762	690	(74)	616
Interbank balances	49	(114)	(65)	121	(83)	38
<u>Securities</u>	<u>(37)</u>	<u>(22)</u>	<u>(60)</u>	<u>(50)</u>	<u>77</u>	<u>27</u>
Total	308	329	637	761	(80)	681
Interest Expense						
Customer deposits	229	78	307	169	42	212
Interbank balances/others	(96)	57	(39)	103	(72)	32
Total	134	135	268	273	(29)	243
Net interest income	175	194	369	489	(51)	438

Net interest income grew 8.1% to a new high of \$4.93 billion in 2015, led by healthy loan growth across various geographies and industries. Net interest margin widened 6 basis points to 1.77%, benefiting from rising interest rates in Singapore.

Non-Interest Income

	2015 \$ million	2014 \$ million	+/- %
Fee and Commission Income			
Credit card	345	281	22.8
Fund management	172	156	10.4
Wealth management	416	377	10.1
Loan-related ¹	498	490	1.5
Service charges	121	113	7.7
Trade-related ²	258	273	(5.4)
Others	74	59	25.2
	1,883	1,749	7.7
Other Non-Interest Income			
Net trading income	641	599	7.0
Net gain from investment securities	313	218	43.7
Dividend income	34	48	(28.7)
Rental income	117	115	1.8
Other income	132	170	(22.4)
	1,238	1,151	7.6
Total	3,122	2,900	7.7

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

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

Fee and commission income grew 7.7% year-on-year to \$1.88 billion with broad-based growth across most businesses. Trading and investment income increased 16.8% to \$954 million, contributed mainly by higher gains on sale of securities as well as healthy growth in treasury customer income. Consequently, non-interest income rose 7.7% to \$3.12 billion in 2015.

Management Discussion and Analysis

Operating Expenses

	2015 \$ million	2014 \$ million	+/(-) %
Staff costs	2,064	1,825	13.1
Other Operating Expenses			
Revenue-related	796	672	18.3
Occupancy-related	311	287	8.3
IT-related	242	199	21.6
<u>Others</u>	184	163	13.2
	1,533	1,321	16.0
Total	3,597	3,146	14.3

Total expenses increased 14.3% to \$3.60 billion from a year ago. In 2015, the Group incurred one-off expenses amounting to \$67 million for SG50 and UOB80 commemorative events as well as the launch of a group-wide brand campaign. Excluding these expenses, total expenses increased 12.2% from 2014 to \$3.53 billion as the Group continued to invest in talent and technology capabilities to deepen its franchise. Staff expenses, normalised for an adjustment for prior year bonus, would show an increase of 7.0% from 2014 while total expenses would increase 9.0%. Expense-to-income ratio would have been 43.4% when normalised for these items.

Allowances for Credit and Other Losses

	2015 \$ million	2014 \$ million	+/(-) %
Specific Allowances on Loans¹			
Singapore	108	53	>100.0
Malaysia	33	28	18.6
Thailand	80	73	10.1
Indonesia	140	49	>100.0
Greater China ²	40	6	>100.0
<u>Others</u>	(9)	29	(>100.0)
	392	238	64.4
Specific allowances on securities and others	84	63	33.4
General allowances	196	334	(41.3)
Total	672	635	5.7

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

2 Comprises China, Hong Kong and Taiwan.

Total allowances increased 5.7% from a year ago to \$672 million in 2015 with total loan charge off rate stable at 32 basis points. Specific allowances on loans rose \$153 million to \$392 million mainly from new non-performing loans accounts in Singapore, Indonesia and Greater China. The Group provided general allowances of \$196 million during the year. This increased total general allowance balances to \$3 billion, translating to a strong general allowance coverage ratio of 1.4% of the loan book as at 31 December 2015.

Customer Loans

	2015 \$ million	2014 \$ million
Gross customer loans	207,371	199,343
Less: Specific allowances	773	657
General allowances	2,987	2,783
Net customer loans	203,611	195,903
By Industry¹		
Transport, storage and communication	10,019	10,014
Building and construction	45,211	38,672
Manufacturing	15,803	17,139
Financial institutions	14,282	16,039
General commerce	28,302	27,119
Professionals and private individuals	25,950	26,008
Housing loans	56,385	54,711
Others	11,419	9,641
Total (gross)	207,371	199,343
By Currency		
Singapore dollar	108,323	106,785
US dollar	35,953	33,471
Malaysian ringgit	22,375	24,364
Thai baht	10,935	10,155
Indonesian rupiah	5,157	4,777
Others	24,628	19,791
Total (gross)	207,371	199,343
By Maturity		
Within 1 year	70,864	66,066
Over 1 year but within 3 years	40,335	39,220
Over 3 years but within 5 years	26,194	24,341
Over 5 years	69,979	69,715
Total (gross)	207,371	199,343
By Geography²		
Singapore	116,087	109,700
Malaysia	24,605	25,768
Thailand	11,481	10,836
Indonesia	11,543	11,100
Greater China	25,217	25,308
Others	18,438	16,631
Total (gross)	207,371	199,343

¹ Certain loans to investment holding companies were reclassified in order to more accurately align to Singapore Standard Industrial Classification (SSIC) guidelines. Prior year comparatives were restated accordingly.

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

Gross customer loans grew 4.0% year-on-year to \$207 billion as at 31 December 2015. In constant currency terms, the underlying loan growth was 5.4% across various industries and geographies.

In Singapore, the customer loan base rose 5.8% from a year ago to \$116 billion as at 31 December 2015. Excluding currency effects, regional countries continued to contribute a strong growth year on year.

Management Discussion and Analysis

Non-Performing Assets

	2015 \$ million	2014 \$ million
Non-Performing Assets (NPA)		
Loans (NPL)	2,882	2,358
Debt securities and others	184	230
Total	3,066	2,588
By Grading		
Substandard	2,255	1,855
Doubtful	160	197
Loss	651	536
Total	3,066	2,588
By Security Coverage		
Secured	1,697	1,387
Unsecured	1,369	1,201
Total	3,066	2,588
By Ageing		
Current	462	536
Within 90 days	370	152
Over 90 to 180 days	417	319
Over 180 days	1,817	1,581
Total	3,066	2,588
Total Allowances		
Specific	934	819
General	3,074	2,910
Total	4,008	3,729
As a % of NPA	130.7%	144.1%
As a % of unsecured NPA	292.8%	310.5%

	2015		2014	
	NPL \$ million	NPL ratio %	NPL \$ million	NPL ratio %
NPL by Industry¹				
Transport, storage and communication	977	9.8	714	7.1
Building and construction	250	0.6	226	0.6
Manufacturing	287	1.8	280	1.6
Financial institutions	102	0.7	109	0.7
General commerce	388	1.4	265	1.0
Professionals and private individuals	287	1.1	209	0.8
Housing loans	550	1.0	507	0.9
Others	41	0.4	48	0.5
Total	2,882	1.4	2,358	1.2

¹ Certain loans to investment holding companies were reclassified in order to more accurately align to Singapore Standard Industrial Classification (SSIC) guidelines. Prior year comparatives were restated accordingly.

Non-Performing Assets (continued)

	NPL \$ million	NPL ratio %	Total allowances as a % of NPL %	Total allowances as a % of unsecured NPL %
NPL by Geography¹				
Singapore				
2015	1,116	1.0	220.3	646.8
2014	864	0.8	249.9	817.8
Malaysia				
2015	386	1.6	125.1	525.0
2014	386	1.5	135.0	505.8
Thailand				
2015	249	2.2	121.7	312.4
2014	267	2.5	121.3	241.8
Indonesia				
2015	569	4.9	39.9	110.2
2014	298	2.7	55.4	150.0
Greater China				
2015	218	0.9	87.2	131.0
2014	124	0.5	109.7	191.5
Others				
2015	344	1.9	28.8	36.5
2014	419	2.5	32.2	45.0
Group				
2015	2,882	1.4	130.5	315.7
2014	2,358	1.2	145.9	350.3

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

NPL ratio rose to 1.4%, an increase of 0.2% point from a year ago but NPL coverage stayed healthy at 130.5%, and 315.7% after taking collateral into account.

Group NPL increased 22.2% from a year ago to \$2.88 billion. The transportation sector, particularly the shipping industry, remains under stress with several new large NPL, mainly in Indonesia. Increase in NPL from Singapore and Greater China were mainly in the manufacturing and general commerce industries.

Management Discussion and Analysis

Customer Deposits

	2015 \$ million	2014 \$ million
By Product		
Fixed deposits	125,486	129,787
Savings deposits	55,966	51,654
Current accounts	51,221	45,482
Others	7,852	6,827
Total	240,524	233,750
By Maturity		
Within 1 year	234,414	226,593
Over 1 year but within 3 years	4,130	5,521
Over 3 years but within 5 years	723	646
Over 5 years	1,258	989
Total	240,524	233,750
By Currency		
Singapore dollar	115,650	112,608
US dollar	54,236	49,068
Malaysian ringgit	24,122	27,199
Thai baht	11,782	10,970
Indonesian rupiah	5,252	4,822
Others	29,483	29,082
Total	240,524	233,750
Group Loan/Deposit ratio (%)	84.7	83.8
Singapore dollar Loan/Deposit ratio (%)	91.7	93.0
US dollar Loan/Deposit ratio (%)	65.6	67.7

Customer deposits continued to grow with an increase of 2.9% from a year ago to \$241 billion, mainly contributed by Singapore dollar and US dollar deposits.

As at 31 December 2015, the Group's loan-to-deposit ratio and Singapore dollar loan-to-deposit ratio remained healthy at 84.7% and 91.7% respectively.

Debts Issued (Unsecured)

	2015 \$ million	2014 \$ million
Subordinated debts		
Commercial papers	4,878	4,640
Fixed and floating rate notes	9,666	10,502
Others	3,785	4,211
Total	20,288	20,953
Due within one year	12,143	12,393
Due after one year	8,146	8,560
Total	20,288	20,953

Shareholders' Equity

	2015 \$ million	2014 \$ million
Shareholders' equity	30,768	29,569
Add: Revaluation surplus	4,357	4,224
Shareholders' equity including revaluation surplus	<u>35,126</u>	<u>33,793</u>

Shareholders' equity rose 4.1% from a year ago to \$30.8 billion as at 31 December 2015, largely led by higher net profits and improved valuations on the available-for-sale investments.

As at 31 December 2015, a revaluation surplus of \$4.36 billion relating to the Group's properties, is not recognised in the financial statements.

Performance by Operating Segment^{1,2}

	GR \$ million	GWB \$ million	GMIM \$ million	Others \$ million	Elimination \$ million	Total \$ million
2015						
Net interest income	2,157	2,337	123	309	–	4,926
Non-interest income	1,201	1,070	676	365	(190)	3,122
Operating income	3,358	3,407	799	674	(190)	8,048
Operating expenses	(1,785)	(746)	(457)	(799)	190	(3,597)
Allowances for credit and other losses	(176)	(269)	(11)	(216)	–	(672)
Share of profit of associates and joint ventures	–	–	18	72	–	90
Profit before tax	<u>1,397</u>	<u>2,392</u>	<u>349</u>	<u>(269)</u>	<u>–</u>	<u>3,869</u>
Tax						(649)
Profit for the financial year						<u>3,220</u>
2014						
Net interest income	1,856	2,020	367	314	–	4,557
Non-interest income	1,161	1,003	582	326	(172)	2,900
Operating income	3,017	3,023	949	640	(172)	7,457
Operating expenses	(1,632)	(674)	(413)	(599)	172	(3,146)
Allowances for credit and other losses	(139)	(131)	(59)	(306)	–	(635)
Share of profit of associates and joint ventures	–	–	36	113	–	149
Profit before tax	<u>1,246</u>	<u>2,218</u>	<u>513</u>	<u>(152)</u>	<u>–</u>	<u>3,825</u>
Tax						(561)
Profit for the financial year						<u>3,264</u>

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

2 Long Term Investment has been reclassified from Others to GMIM and prior year comparatives have been restated accordingly.

Management Discussion and Analysis

Performance by Operating Segment^{1,2} (continued)

The Group is organised to be segment-led across key markets. Global segment heads are responsible for driving business, with decision-making balanced with a geographical perspective. The following represent the key customer segments:

Group Retail (GR)

Segment profit increased 12.1% to \$1.40 billion in 2015, mainly driven by higher net interest income as well as higher non-interest income from wealth management and credit card products. The increase was partly offset by higher business volume-related operating expenses.

Group Wholesale Banking (GWB)

Segment profit grew 7.8% to \$2.39 billion in 2015, contributed by higher net interest income and increased cross-sell income from global markets products and transaction banking. Revenue growth was partly offset by higher allowances and higher operating expenses. Increased operating expenses primarily resulted from the continued investment in product capabilities and hiring of new talents as the business expanded regionally.

Global Markets and Investment Management (GMIM)

Segment profit decreased 32.0% to \$349 million in 2015, mainly due to lower income from market making and banking book/central treasury activities.

Others

This segment recorded a higher loss of \$269 million in 2015, mainly due to lower share of associates' profit and higher operating expenses from SG50 and UOB80 commemorative events, brand campaign and adjustment for prior year bonus; partially offset by lower allowances for credit and other losses.

Performance by Geographical Segment¹

	Total operating income		Profit before tax		Total assets	
	2015	2014	2015	2014	2015	2014
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Singapore	4,658	4,313	2,363	2,345	197,929	187,529
Malaysia	1,006	1,047	537	593	32,669	37,269
Thailand	790	691	175	159	16,643	15,915
Indonesia	410	410	61	99	8,550	8,143
Greater China	706	587	366	305	32,982	31,977
Others	478	409	367	324	23,094	21,754
	8,048	7,457	3,869	3,825	311,867	302,587
Intangible assets	–	–	–	–	4,144	4,149
Total	8,048	7,457	3,869	3,825	316,011	306,736

¹ Based on the location where the transactions and assets are booked, which approximates that based on the location of the customers and assets. Information is stated after elimination of inter-segment transactions.

In 2015, the Group's total operating income rose 7.9% from a year ago to \$8.05 billion. Singapore grew 8.0% driven by strong net interest income and fees. Regional growth was higher at 6.5% largely led by Thailand and Greater China. At the pre-tax profit level, the Group increased 1.1% to \$3.87 billion in 2015. Overseas contributed 38.9% of the Group's pre-tax profit due to core income growth.

Capital Adequacy and Leverage Ratios

As at 31 December 2015, the Group's strong capital position remained well above the MAS minimum requirements with Common Equity Tier 1 and Total CAR at 13.0% and 15.6% respectively. The Group's leverage ratio stood at 7.3% as at 31 December 2015, well above Basel's minimum requirement of 3%.

Compared with a year ago, capital ratios were lower mainly due to increased risk-weighted assets resulting from asset growth, coupled with the revised recognition of undrawn credit facilities following MAS' clarification on the definition of loan commitments effective 31 December 2015, partially offset by higher retained earnings.

Directors' Statement

for the financial year ended 31 December 2015

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 2015.

Opinion of the Directors

In the opinion of the directors,

- (a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and the 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 2015, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

Directors

The directors of the Bank in office at the date of this report are:

Wee Cho Yaw (*Chairman Emeritus and Adviser*)

Hsieh Fu Hua (*Chairman*)

Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)

Wong Meng Meng

Franklin Leo Lavin

Willie Cheng Jue Hiang

James Koh Cher Siang

Ong Yew Huat

Lim Hwee Hua

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 21.01.2016	At 31.12.2015	At 1.1.2015 or date of appointment	At 21.01.2016	At 31.12.2015	At 1.1.2015 or date of appointment
The Bank						
<i>Ordinary shares</i>						
Wee Cho Yaw	20,122,341	19,921,917	19,301,917	272,751,258	270,050,084	270,070,084
Hsieh Fu Hua	–	–	–	25,253	25,000	25,000
Wee Ee Cheong	3,125,918	3,125,918	3,125,918	163,085,428	161,463,970	161,463,970
Willie Cheng Jue Hiang	–	–	–	50,467	50,467	50,467
James Koh Cher Siang	3,900	3,900	3,900	–	–	–
United Overseas Insurance Limited						
<i>Ordinary shares</i>						
Wee Cho Yaw	38,100	38,100	38,100	–	–	–

Directors' Statement

for the financial year ended 31 December 2015

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 2015 is set out below. The proposed directors' fees are subject to shareholders' approval at the forthcoming AGM.

Fee Structure	Chairman	Member
	\$	\$
Basic Fee	700,000	90,000
Executive Committee	85,000	55,000
Board Risk Management Committee	85,000	55,000
Audit Committee	85,000	55,000
Nominating Committee	45,000	30,000
Remuneration Committee	45,000	30,000

Details of the proposed total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2015 are as follows:

	Advisory fee \$'000	Directors' fees \$'000	Fees from subsidiaries ⁴ \$'000	Salary \$'000	Bonus \$'000	Benefits- in-kind and others ³ \$'000	Total \$'000
Wee Cho Yaw ¹	800	335	209	—	—	8	1,352
Hsieh Fu Hua	—	870	10	—	—	10	890
Wee Ee Cheong ²	—	—	—	1,200	8,000	23	9,223
Wong Meng Meng	—	135	5	—	—	—	140
Franklin Leo Lavin	—	175	5	—	—	—	180
Willie Cheng Jue Hiang	—	205	—	—	—	—	205
James Koh Cher Siang	—	230	—	—	—	—	230
Ong Yew Huat	—	200	66	—	—	—	266
Lim Hwee Hua	—	145	—	—	—	—	145

1 The advisory fee of \$800,000 recommended by the Remuneration Committee for Dr Wee Cho Yaw is subject to shareholders' approval at the Annual General Meeting to be held on 21 April 2016.

2 60% of the variable pay to Mr Wee Ee Cheong will be deferred and vest over the next three years, subject to predetermined performance conditions. Of the deferred variable pay, 40% will be issued in deferred cash, while the remaining 60% will be in the form of share-linked performance units.

3 Includes transport-related benefits and provision of drivers for Dr Wee Cho Yaw, and Messrs Hsieh Fu Hua and Wee Ee Cheong.

4 Fees from subsidiaries for Mr Wee Ee Cheong were paid to the Bank.

Share-based compensation plans

The share-based compensation plans, which are administered by the Remuneration Committee, comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Details of these plans are found below and in Note 40 to the financial statements.

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

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

The Remuneration Committee determined 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. Grants from prior years continue to vest in accordance with the vesting schedule.

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

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

Grants made in 2012 and 2013 are subject to the achievement of predetermined return on equity (ROE) targets as shown below. Half of the grants will vest after two years, and the remainder after three years from the dates of grant.

Percentage of ROE target achieved	Percentage of award to be vested	
	2012 grant	2013 grant
≥ 115%	130%	130%
≥ 110%	120%	120%
≥ 105%	110%	110%
≥ 100%	100%	100%
≥ 95%	100%	100%
≥ 90%	90%	90%
≥ 85%	80%	80%
≥ 80%	At the discretion of the Remuneration Committee	70%
< 80%		At the discretion of the Remuneration Committee

Thirty per cent of grants made in and after 2014 will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy per cent will vest after three years, subject to the achievement of the three-year ROE targets. The vesting levels are shown below.

Percentage of ROE target achieved	Percentage of award to be vested for 2014 and 2015 grants *
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

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

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

The Plans shall be in force for a period of ten years or such other period as the Remuneration Committee may determine. The Plans only allow the delivery of UOB ordinary shares held in treasury by the Bank.

Directors' Statement

for the financial year ended 31 December 2015

Audit Committee

The Audit Committee comprises three 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

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

Auditor

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

On behalf of the Board of Directors,

Hsieh Fu Hua

Chairman

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

Singapore

15 February 2016

Independent Auditor's Report

for the financial year ended 31 December 2015

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 135 to 220 which comprise the balance sheets of the Bank and the Group at 31 December 2015, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and the Group and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank, are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs), including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2015 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.

Independent Auditor's Report

for the financial year ended 31 December 2015

Areas of focus	How our audit addressed the risk factors
<p>Allowance for impairment of loans to customers Refer to Notes 2r(i) and 25a to the consolidated financial statements on pages 150 and 176 respectively.</p> <p>The allowance for impairment of loans to customers is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group records both general and specific allowances of loans to customers, in accordance to the transitional provision set out in MAS Notice 612 requirements for the incorporation of historical loss data and qualitative factors on loan grading respectively.</p> <p>Loans to customers contributed to 64% of the Group's total assets. The Group's gross loan portfolio comprises clients from the two business units, i.e. Group Wholesale Banking (GWB) (56%/\$116 billion) and Group Retail (GR) (44%/\$91 billion). The loan portfolio and characteristics of these two groups differ, therefore requiring a different approach in the assessment for specific allowances by management.</p> <p>GWB's loan portfolio consists of large wholesale loans, requiring management to monitor the borrowers' repayment abilities individually based on their knowledge for any allowance for impairment.</p> <p>In comparison with GWB, GR's loan portfolio consists of smaller loan values and a greater number of customers. Loans are not monitored individually and are grouped by product into homogeneous portfolios. Portfolios are monitored through historical delinquency statistics, for the allowance for impairment assessment.</p>	<p>Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following:</p> <ul style="list-style-type: none">the data interface between systems from the approval to recording and monitoring of loansthe identification and timeliness of identifying impairment indicatorsthe governance process of loan downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment models <p>Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.</p> <p>Our procedures to assess management's provision for specific allowances, in response to the risks specific to the business units included the following:</p> <p><u>Group Wholesale Banking</u> We obtained an understanding of the Group Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans for compliance on the classification according to MAS Notice 612.</p> <p>We assessed the Group's credit review process on the credit worthiness of selected customers. We selected a sample of loans considering country risks, industry trends/macroeconomic factors, e.g. commodity crisis, lacklustre property market, etc. In particular, we focused on the shipping, real estate, and oil and gas portfolios.</p> <p>For the selected non-performing loans, we assessed management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. We evaluated the consistency of key assumptions applied, benchmarking these to our own understanding of the relevant industries and business environments, to assess the validity of the collateral valuations. We re-computed management's calculation of the specific allowances to check the accuracy of data captured in the accounting records.</p> <p>Additionally, we selected samples of performing loans and assessed that the borrowers did not exhibit any definable weaknesses that may jeopardise the repayment abilities.</p>

Areas of focus	How our audit addressed the risk factors
Allowance for impairment of loans to customers (continued)	<p><u>Group Retail</u></p> <p>The allowance for impairment process is based on projection of losses, with historical delinquency statistics of each portfolio. Our testing included both the secured and non-secured lending portfolios.</p> <p>For the secured lending portfolio, allowance for impairment is determined based on the haircuts and fair values less cost to sell obtained by the Group. We examined on a sample basis, the reasonableness of haircuts applied and the fair values less cost to sell based on our knowledge and experience of the local economic conditions, asset price trends, etc.</p> <p>For the non-secured lending portfolio, we examined the appropriateness of the model parameters such as historical loss rates based on our industry knowledge and experience, to assess that they are in line with customer behavioural profiles.</p> <p>With respect to the Group's general allowances, our procedures included the following:</p> <ul style="list-style-type: none"> • we re-computed management's calculation to assess that the Group maintained a minimum of 1% of general allowances on total credit exposure net of collateral and specific allowances in accordance with the transitional provision set out in MAS Notice 612 • we evaluated management's assessment on the relevance of the applied historical credit cycles and impact arising from forecasts of the prevailing market and economic conditions discussed above, which the Group is most susceptible to <p>Overall, the results of our evaluation of the Group's allowance for impairment of loans are consistent with management's assessment.</p> <p>We have also assessed the adequacy of the Group's disclosure on the allowance for impairment of loans and the related credit risk in Note 25(a) and Note 43(a) to the financial statements.</p>
<p>Valuation of illiquid or complex financial instruments</p> <p>Refer to Notes 2r(iii) and 18b to the consolidated financial statements on pages 150 and 166 to 167 respectively.</p> <p>The valuation of the Group's financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing some of the instruments and the significance of the judgements and estimates made by management.</p> <p>In particular, the determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data.</p> <p>At 31 December 2015, 5% (\$3 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 of unquoted equity investments and funds, long dated equity derivatives and a small number of unquoted debt securities.</p>	<p>We assessed the key controls over the Group's valuation and model validation processes, including the measurement of valuation reserves and derivative valuation adjustments. Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.</p> <p>In addition, we evaluated the appropriateness of the valuation methodologies, particularly for material illiquid and complex financial instruments such as private equity investments and structured products.</p> <p>For a sample of financial instruments with significant unobservable valuation inputs, we involved our own internal valuation specialists to critically assess the valuation assumptions and inputs used by management, or perform an independent valuation by reference to alternative valuation methods used by other market participants and sensitivity analysis of key factors.</p> <p>The results of our independent analyses are consistent with those of management's analyses.</p> <p>We also considered whether the financial statement disclosures appropriately reflect the Group's exposure to financial instrument valuation risk. For example, we assessed the Group's fair value hierarchy policy against the requirements of FRS 113 Fair Value Measurement, and tested the liquidity of the prices for selected Level 2 and 3 instruments to evaluate whether they were categorised in the appropriate level.</p>

Independent Auditor's Report

for the financial year ended 31 December 2015

Areas of focus	How our audit addressed the risk factors
<p>Impairment of goodwill <i>Refer to Notes 2r(iii) and 34 to the consolidated financial statements on pages 150 and 190 respectively.</i></p> <p>As at 31 December 2015, the goodwill balance was carried at \$4 billion which represents 1% of total assets, and 13% of total equity. The goodwill arose from the Group's acquisition of Overseas Union Bank (OUB), United Overseas Bank (Thai) Public Company Limited (UOBT) and PT Bank UOB Indonesia (UOBI) in prior years.</p> <p>We focused on goodwill impairment due to the impairment testing of cash generating units (CGUs) relying on estimates of value-in-use (VIU) based on estimated future cash flows. The cash flow projection involved significant management judgment, and is based on assumptions that are affected by expected future market and economic conditions.</p>	<p>Our audit procedures focused on the assessment of key assumptions in forming the CGUs' VIU calculation, including the cash flow projections and discount rates.</p> <p>We assessed assumptions used in cash flow projections which the outcome of the impairment test is most sensitive to, and evaluated the reasonableness of these assumptions made by management by comparing it to externally available industry, economic and financial data. We stress-tested the cash flow projections. These cash flow projections have been approved by management.</p> <p>Furthermore, we evaluated management's budgeting process by comparing the actual results to previously forecasted results.</p> <p>Our evaluation results are consistent with management's goodwill impairment testing results.</p> <p>We also assessed the appropriateness of the financial statement disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.</p>

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report

for the financial year ended 31 December 2015

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

16 February 2016

Income Statements

for the financial year ended 31 December 2015

	Note	The Group		The Bank	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Interest income	3	7,826,114	7,189,330	4,552,840	3,889,959
Less: Interest expense	4	2,899,817	2,631,597	1,379,914	1,084,135
Net interest income		4,926,297	4,557,733	3,172,926	2,805,824
Fee and commission income	5	1,883,491	1,748,893	1,230,343	1,132,029
Dividend income		34,243	48,014	241,981	260,492
Rental income		117,461	115,403	100,054	97,994
Net trading income	6	640,808	598,831	532,584	543,483
Net gain/(loss) from investment securities	7	313,378	218,107	278,914	213,593
Other income	8	132,203	170,355	150,425	185,306
Non-interest income		3,121,584	2,899,603	2,534,301	2,432,897
Total operating income		8,047,881	7,457,336	5,707,227	5,238,721
Less: Staff costs	9	2,064,048	1,825,041	1,183,463	1,000,375
Other operating expenses	10	1,532,915	1,321,319	1,015,984	839,184
Total operating expenses		3,596,963	3,146,360	2,199,447	1,839,559
Operating profit before allowances		4,450,918	4,310,976	3,507,780	3,399,162
Less: Allowances for credit and other losses	11	671,786	635,303	389,688	350,626
Operating profit after allowances		3,779,132	3,675,673	3,118,092	3,048,536
Share of profit of associates and joint ventures		89,576	149,195	—	—
Profit before tax		3,868,708	3,824,868	3,118,092	3,048,536
Less: Tax	12	648,681	560,675	438,652	357,325
Profit for the financial year		3,220,027	3,264,193	2,679,440	2,691,211
Attributable to:					
Equity holders of the Bank		3,208,899	3,249,101	2,679,440	2,691,211
Non-controlling interests		11,128	15,092	—	—
		3,220,027	3,264,193	2,679,440	2,691,211
Earnings per share (\$)	13				
Basic		1.94	1.98		
Diluted		1.93	1.97		

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 2015

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Profit for the financial year	3,220,027	3,264,193	2,679,440	2,691,211
Currency translation adjustments	(339,464)	109,535	8,601	8,717
Change in available-for-sale/other reserves				
Change in fair value	500,001	648,968	500,527	564,205
Transfer to income statement on disposal/impairment	(274,698)	(92,101)	(252,228)	(101,857)
Tax relating to available-for-sale/other reserves	(722)	(17,400)	(5,306)	(11,781)
Change in shares of other comprehensive income of associates and joint ventures	10,427	19,130	–	–
Remeasurement of defined benefit obligation ¹	(10,243)	(4,801)	–	–
Other comprehensive income for the financial year, net of tax	(114,699)	663,331	251,594	459,284
Total comprehensive income for the financial year, net of tax	3,105,328	3,927,524	2,931,034	3,150,495
Attributable to:				
Equity holders of the Bank	3,096,222	3,908,631	2,931,034	3,150,495
Non-controlling interests	9,106	18,893	–	–
	3,105,328	3,927,524	2,931,034	3,150,495

¹ Refers to an item that will not be reclassified subsequently to Income Statement.

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

Balance Sheets

as at 31 December 2015

	Note	The Group		The Bank	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Equity					
Share capital and other capital	14	5,881,252	5,892,165	5,049,702	5,060,615
Retained earnings	15	15,463,194	14,064,092	11,734,720	10,808,566
Other reserves	16	9,423,960	9,613,093	9,971,362	9,780,486
Equity attributable to equity holders of the Bank		30,768,406	29,569,350	26,755,784	25,649,667
Non-controlling interests		155,367	202,655	—	—
Total equity		30,923,773	29,772,005	26,755,784	25,649,667
Liabilities					
Deposits and balances of:					
Banks		11,986,337	11,226,347	10,538,390	10,665,592
Customers	19	240,524,473	233,749,644	190,377,876	179,122,889
Subsidiaries		—	—	2,411,844	2,767,302
Bills and drafts payable		434,541	950,727	236,649	190,704
Derivative financial liabilities	36	5,969,076	6,383,979	5,427,808	5,928,255
Other liabilities	20	5,262,453	3,157,723	2,580,158	1,472,185
Tax payable		430,678	381,926	346,417	359,715
Deferred tax liabilities	21	191,586	160,489	101,096	83,188
Debts issued	22	20,288,288	20,953,303	20,210,640	21,138,545
Total liabilities		285,087,432	276,964,138	232,230,878	221,728,375
Total equity and liabilities		316,011,205	306,736,143	258,986,662	247,378,042
Assets					
Cash, balances and placements with central banks	23	32,305,515	35,082,908	24,248,826	24,807,369
Singapore Government treasury bills and securities		6,865,052	7,756,709	6,865,052	7,627,828
Other government treasury bills and securities		12,643,728	10,140,942	7,268,093	3,982,141
Trading securities	24	1,276,574	738,262	1,009,768	738,262
Placements and balances with banks		28,646,058	28,692,051	24,280,039	24,332,571
Loans to customers	25	203,610,907	195,902,563	158,230,240	149,529,653
Placements with and advances to subsidiaries		—	—	5,943,534	7,726,981
Derivative financial assets	36	6,422,161	6,305,928	5,695,663	5,710,358
Investment securities	27	10,562,494	11,439,549	9,857,070	10,294,346
Other assets	28	5,354,853	2,718,439	3,685,887	1,465,432
Deferred tax assets	21	227,035	231,636	65,853	101,736
Investment in associates and joint ventures	29	1,105,946	1,189,449	407,006	523,138
Investment in subsidiaries	30	—	—	5,841,051	4,980,738
Investment properties	32	1,108,450	960,292	1,174,084	1,229,216
Fixed assets	33	1,738,607	1,428,135	1,232,677	1,146,454
Intangible assets	34	4,143,825	4,149,280	3,181,819	3,181,819
Total assets		316,011,205	306,736,143	258,986,662	247,378,042

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 2015

	The Group					
	Attributable to equity holders of the Bank				Non-controlling interests \$'000	Total equity \$'000
	Share capital and other capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total \$'000		
2015						
Balance at 1 January	5,892,165	14,064,092	9,613,093	29,569,350	202,655	29,772,005
Profit for the financial year	–	3,208,899	–	3,208,899	11,128	3,220,027
Other comprehensive income for the financial year	–	(10,243)	(102,434)	(112,677)	(2,022)	(114,699)
Total comprehensive income for the financial year	–	3,198,656	(102,434)	3,096,222	9,106	3,105,328
Transfers	–	66,957	(66,957)	–	–	–
Change in non-controlling interests	–	–	(33,274)	(33,274)	(50,192)	(83,466)
Dividends	–	(1,866,864)	–	(1,866,864)	(6,202)	(1,873,066)
Share buyback – held in treasury	(36,658)	–	–	(36,658)	–	(36,658)
Share-based compensation	–	–	39,630	39,630	–	39,630
Reclassification of share-based compensation reserves on expiry	–	353	(353)	–	–	–
Issue of shares under share-based compensation plans	25,745	–	(25,745)	–	–	–
Balance at 31 December	5,881,252	15,463,194	9,423,960	30,768,406	155,367	30,923,773
2014						
Balance at 1 January	5,332,735	12,002,525	9,052,656	26,387,916	189,346	26,577,262
Profit for the financial year	–	3,249,101	–	3,249,101	15,092	3,264,193
Other comprehensive income for the financial year	–	(4,801)	664,331	659,530	3,801	663,331
Total comprehensive income for the financial year	–	3,244,300	664,331	3,908,631	18,893	3,927,524
Transfers	–	95,811	(95,811)	–	–	–
Change in non-controlling interests	–	–	1,304	1,304	713	2,017
Dividends	–	(1,278,624)	–	(1,278,624)	(6,297)	(1,284,921)
Issue of shares under scrip dividend scheme	516,594	–	–	516,594	–	516,594
Share-based compensation	–	–	33,529	33,529	–	33,529
Reclassification of share-based compensation reserves on expiry	–	80	(80)	–	–	–
Issue of shares under share-based compensation plans	42,836	–	(42,836)	–	–	–
Balance at 31 December	5,892,165	14,064,092	9,613,093	29,569,350	202,655	29,772,005

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
2015				
Balance at 1 January	5,060,615	10,808,566	9,780,486	25,649,667
Profit for the financial year	–	2,679,440	–	2,679,440
Other comprehensive income for the financial year	–	–	251,594	251,594
Total comprehensive income for the financial year	–	2,679,440	251,594	2,931,034
Transfers	–	74,250	(74,250)	–
Dividends	–	(1,827,889)	–	(1,827,889)
Share buyback – held in treasury	(36,658)	–	–	(36,658)
Share-based compensation	–	–	39,630	39,630
Reclassification of share-based compensation reserves on expiry	–	353	(353)	–
Issue of shares under share-based compensation plans	25,745	–	(25,745)	–
Balance at 31 December	5,049,702	11,734,720	9,971,362	26,755,784
2014				
Balance at 1 January	4,501,185	9,255,114	9,445,651	23,201,950
Profit for the financial year	–	2,691,211	–	2,691,211
Other comprehensive income for the financial year	–	–	459,284	459,284
Total comprehensive income for the financial year	–	2,691,211	459,284	3,150,495
Transfers	–	115,062	(115,062)	–
Dividends	–	(1,252,901)	–	(1,252,901)
Issue of shares under scrip dividend scheme	516,594	–	–	516,594
Share-based compensation	–	–	33,529	33,529
Reclassification of share-based compensation reserves on expiry	–	80	(80)	–
Issue of shares under share-based compensation plans	42,836	–	(42,836)	–
Balance at 31 December	5,060,615	10,808,566	9,780,486	25,649,667

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 2015

	2015 \$'000	2014 \$'000
Cash flows from operating activities		
Profit for the financial year	3,220,027	3,264,193
Adjustments for:		
Allowances for credit and other losses	671,786	635,303
Share of profit of associates and joint ventures	(89,576)	(149,195)
Tax	648,681	560,675
Depreciation of assets	181,512	163,361
Net gain on disposal of assets	(341,505)	(271,324)
Share-based compensation	41,096	32,488
Operating profit before working capital changes	4,332,021	4,235,501
Increase/(decrease) in working capital		
Deposits and balances of banks	759,990	(2,479,806)
Deposits and balances of customers	6,774,829	19,202,102
Bills and drafts payable	(516,186)	(84,481)
Other liabilities	1,354,539	803,542
Restricted balances with central banks	300,939	257,956
Government treasury bills and securities	(1,583,063)	(286,291)
Trading securities	(532,295)	(92,274)
Placements and balances with banks	45,993	2,719,689
Loans to customers	(8,363,812)	(17,672,018)
Investment securities	1,391,206	1,169,504
Other assets	(2,758,518)	(99,990)
Cash generated from operations	1,205,643	7,673,434
Income tax paid	(544,546)	(562,586)
Net cash provided by operating activities	661,097	7,110,848
Cash flows from investing activities		
Capital injection into associates and joint ventures	(3,534)	(435)
Acquisition of associates and joint ventures	(8,672)	–
Proceeds from disposal of associates and joint ventures	478	–
Distribution from associates and joint ventures	167,483	282,154
Acquisition of properties and other fixed assets	(691,981)	(258,570)
Proceeds from disposal of properties and other fixed assets	51,004	40,495
Change in non-controlling interests	1,685	(3,044)
Net cash (used in)/provided by investing activities	(483,537)	60,600
Cash flows from financing activities		
Issuance of subordinated notes	367,999	1,543,922
Redemption of subordinated notes	(185,590)	(2,252,150)
(Redemption)/issuance of other debts	(847,424)	2,680,209
Share buyback – held in treasury	(36,658)	–
Change in non-controlling interests	(85,150)	5,061
Dividends paid on ordinary shares	(1,442,024)	(670,907)
Dividends paid on preference shares	(40,548)	(36,714)
Distribution for perpetual capital securities	(65,400)	(65,400)
Dividends paid to non-controlling interests	(6,202)	(6,297)
Net cash (used in)/provided by financing activities	(2,340,997)	1,197,724
Currency translation adjustments	(313,017)	91,111
Net (decrease)/increase in cash and cash equivalents	(2,476,454)	8,460,283
Cash and cash equivalents at beginning of the financial year	29,704,318	21,244,035
Cash and cash equivalents at end of the financial year (Note 39)	27,227,864	29,704,318

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

Notes to the Financial Statements

for the financial year ended 31 December 2015

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. The registered office of the Bank is at 80 Raffles Place, UOB Plaza, Singapore 048624.

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its major subsidiaries are set out in Note 30b to the financial statements.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Bank and its subsidiaries (collectively, the Group) have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, with modification to FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in the Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning.

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

The Group adopted Amendments to FRS19 – Defined Benefit Plans: Employee Contributions during the financial year which had no significant effect on the financial statements of the Group.

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.

Future changes in accounting policies

The following new/revised FRS that are in issue will apply to the Group for the financial years as indicated:

Effective for financial year beginning on or after 1 January 2016

- Amendments to FRS1 – Disclosure Initiative
- Amendments to FRS16 and FRS38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS27 – Equity Method in Separate Financial Statements
- Amendments to FRS110, FRS112 and FRS28 – Investment Entities: Applying the Consolidation Exception
- Amendments to FRS111 – Accounting for Acquisitions of Interests in Joint Operations

Effective for financial year beginning on or after 1 January 2018

- FRS109 – Financial Instruments
- FRS115 – Revenue from Contracts with Customers

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

- Amendments to FRS110 and FRS28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The above pronouncements are not expected to have a significant impact on the Group's financial statements when adopted with the exception of FRS109 which is under review and assessment.

Notes to the Financial Statements

for the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

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

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

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

(ii) Associates and joint ventures

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

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.

2. Summary of significant accounting policies (continued)

(c) Interests in other entities (continued)

(iii) Joint operations

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

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

(d) Financial assets and financial liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At fair value through profit or loss

Financial instruments are classified at 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.

Notes to the Financial Statements

for the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

(d) Financial assets and financial liabilities (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.

Fair value determination

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

(iii) Recognition and derecognition

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

Financial instruments are derecognised when the contractual rights to cash flows and risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the accumulated gain or loss that has been recognised in equity are taken to the income statement.

(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.

2. Summary of significant accounting policies (continued)

(d) Financial assets and financial liabilities (continued)

(v) Total allowances

Specific allowances

Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each balance sheet date. Allowances for impairment are 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, allowances for impairment are 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, allowances for impairment are determined as the difference between the assets' cost and the current fair value, less any allowances 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 allowances for impairment is written back to the fair value reserve.

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

General allowances

General allowances are 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 allowances of at least 1% of its credit exposure net of collateral and specific allowances in accordance with the transitional provision set out in MAS Notice 612.

(e) Financial derivatives

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

Financial derivatives embedded in non-derivative host contracts are bifurcated and accounted for separately if their economic characteristics and risks are not closely related to those of the host contracts and the combined contracts are not carried at fair value through profit or loss.

Notes to the Financial Statements

for the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

(f) Hedge accounting

(i) Fair value hedge

Fair value changes of the hedging instrument are recognised in the income statement. Fair value changes of the hedged item attributable to the hedged risk are taken to the income statement with 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.

(ii) Cash flow hedge

Fair value changes of the hedging instrument relating to the effective portion of the hedge are taken to the hedge reserve under equity while those relating to the ineffective portion are recognised in the income statement. The amount in the hedge reserve is transferred to the income statement (a) at the same time as the cash flow of the hedged item is recognised in the income statement and (b) immediately when the forecasted hedge item is no longer expected to occur.

(iii) Hedge of net investment in a foreign operation

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

(g) Investment properties and fixed assets

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

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

Freehold land and leasehold land with remaining leases of 100 years or more are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over their expected useful lives of five 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.

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 allowances, if any.

Goodwill is reviewed for impairment annually or more frequently if the circumstances indicate that its carrying amount may be impaired. At the date of acquisition, goodwill is allocated to the cash-generating units (CGU) expected to benefit from the synergies of the business combination. The Group's CGU correspond with the operating segments reported in Note 42a. Where the recoverable amount, being the higher of fair value less cost to sell and value in use, of a CGU is below its carrying amount, the impairment allowance is recognised in the income statement and subsequent reversal is not allowed.

(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 allowances, if any.

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

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

(i) Foreign currencies

(i) Foreign currency transactions

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

(i) Foreign currencies (continued)

(ii) Foreign operations

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

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

(j) Tax

(i) Current tax

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

(ii) Deferred tax

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

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

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

(iii) Offsetting

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

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources to settle the obligation is probable and can be reliably estimated. At each balance sheet date, provisions are reviewed and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

2. Summary of significant accounting policies (continued)

(l) Undrawn credit facilities

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

(m) Contingent liabilities

Contracts on financial and performance guarantees and letters of credit are recorded under contingent liabilities. These liabilities are recognised initially at their fair value which is generally the fees received. The fees are amortised over the contractual terms. Subsequent to initial recognition, the liabilities are measured at the higher of their carrying amount and the estimated expenditure required to settle the obligations.

(n) Revenue recognition

Interest income is recognised using the effective interest method.

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

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

Rental income is recognised on a time proportion basis.

(o) Employee compensation/benefits

Base pay, 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.

(p) Dividend payment

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

(q) Treasury shares

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

Notes to the Financial Statements

for the financial year ended 31 December 2015

2. Summary of significant accounting policies (continued)

(r) Critical accounting estimates and judgements

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

(i) Allowances for impairment of financial assets

Allowances for impairment of financial assets are determined in accordance with Note 2d(v). Identifying and providing for specific allowances requires management's experience and significant judgement. The process involves assessing various factors such as economic outlook, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral.

General allowances are determined based on management's assessment of the country and portfolio risk, historical loss experiences and economic indicators.

(ii) Fair valuation of financial instruments

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

(iii) Goodwill

Goodwill is reviewed for impairment in accordance with Notes 2h(i) and 34b. The process requires management's assessment of key factors such as future economic growth, business forecasts and discount rates.

(iv) Income taxes

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

3. Interest income

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Loans to customers	6,674,520	5,912,819	3,843,519	3,113,374
Placements and balances with banks	627,274	692,530	358,928	392,810
Government treasury bills and securities	256,072	279,812	108,740	120,796
Trading and investment securities	268,248	304,169	241,653	262,979
	7,826,114	7,189,330	4,552,840	3,889,959
Of which, interest income on:				
Impaired financial assets	18,943	13,204	16,762	12,496
Financial assets at fair value through profit or loss	113,646	145,465	69,005	87,416

4. Interest expense

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Deposits of customers	2,559,276	2,252,056	1,045,454	728,030
Deposits and balances of banks and debts issued	340,541	379,541	334,460	356,105
	2,899,817	2,631,597	1,379,914	1,084,135
Of which, interest expense on financial liabilities at fair value through profit or loss	44,193	45,141	13,793	12,056

5. Fee and commission income

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Credit card	344,564	280,657	244,116	184,182
Fund management	171,701	155,548	3,722	259
Wealth management	415,646	377,404	306,399	277,862
Loan-related ¹	497,561	490,111	405,240	394,290
Service charges	121,488	112,756	87,026	80,733
Trade-related ²	258,482	273,262	164,528	175,071
Others	74,049	59,155	19,312	19,632
	1,883,491	1,748,893	1,230,343	1,132,029
Of which, fee and commission from:				
Financial assets not measured at fair value through profit or loss	409,551	386,303	334,705	312,608
Provision of trust and other fiduciary services	10,641	11,833	9,166	10,423

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

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

6. Net trading income

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net gain/(loss) from:				
Foreign exchange	627,232	506,570	506,108	450,123
Interest rate and others	48,297	127,232	17,651	122,217
Financial assets designated at fair value	(9,288)	28,783	5,620	5,928
Financial liabilities designated at fair value	(25,433)	(63,754)	3,205	(34,785)
	640,808	598,831	532,584	543,483

Notes to the Financial Statements

for the financial year ended 31 December 2015

7. Net gain/(loss) from investment securities

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Available-for-sale	303,850	218,889	266,454	212,097
Loans and receivables	9,528	(782)	12,460	1,496
	313,378	218,107	278,914	213,593

8. Other income

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net gain from:				
Disposal of investment properties	18,850	19,884	18,850	19,884
Disposal of fixed assets	8,925	6,148	8,894	4,981
Disposal/liquidation of subsidiaries/associates/joint ventures	5,904	14,965	5,442	36,299
Others	98,524	129,358	117,239	124,142
	132,203	170,355	150,425	185,306

9. Staff costs

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Salaries, bonus and allowances	1,666,055	1,488,096	947,541	822,099
Employer's contribution to defined contribution plans	144,709	123,049	82,769	64,629
Share-based compensation	41,096	32,488	30,047	24,031
Others	212,188	181,408	123,106	89,616
	2,064,048	1,825,041	1,183,463	1,000,375
Of which, the Bank's directors' remuneration	9,223	10,220	9,223	10,220

10. Other operating expenses

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue-related	795,799	672,448	446,331	361,805
Occupancy-related	310,945	287,066	205,642	182,807
IT-related	242,008	199,080	267,470	213,840
Others	184,163	162,725	96,541	80,732
	1,532,915	1,321,319	1,015,984	839,184
Of which:				
Advisory/Directors' fees	4,346	4,330	3,095	2,870
Depreciation of assets	181,512	163,361	117,709	105,738
Rental expenses	133,742	125,009	90,140	82,048
Auditors' remuneration paid/payable to:				
Auditors of the Bank	2,593	2,454	1,900	1,807
Affiliates of auditors of the Bank	2,018	1,903	558	516
Other auditors	284	302	161	160
Non-audit fees paid/payable to:				
Auditors of the Bank	207	101	207	87
Affiliates of auditors of the Bank	250	530	123	214
Other auditors	135	35	57	35
Expenses on investment properties	51,849	52,086	37,790	38,684
Fee expenses arising from financial liabilities not at fair value through profit or loss	88,733	79,928	14,338	14,902

11. Allowances for credit and other losses

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Specific allowances on/(write-back) of:				
Loans	391,604	238,256	156,727	96,021
Investments	68,781	64,507	137,664	27,353
Other assets	15,534	(1,304)	(1,253)	(3,521)
General allowances	195,867	333,844	96,550	230,773
	671,786	635,303	389,688	350,626
Included in the allowance for credit and other losses is the following:				
Bad debts written off	156,987	159,976	51,705	241,313

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for the financial year ended 31 December 2015

12. Tax

Tax charge to the income statements comprises the following:

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
On profit of the financial year				
Current tax	629,220	599,966	418,052	404,690
Deferred tax	26,246	43,514	38,711	27,901
	655,466	643,480	456,763	432,591
(Over)/under-provision of prior year tax				
Current tax	(33,484)	(134,448)	(25,466)	(80,076)
Deferred tax	6,772	59,676	7,355	4,810
Share of tax of associates and joint ventures	19,927	(8,033)	–	–
	648,681	560,675	438,652	357,325

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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Operating profit after allowances	3,779,132	3,675,673	3,118,092	3,048,536
Prima facie tax calculated at tax rate of 17% (2014: 17%)	642,452	624,864	530,076	518,251
Effect of:				
Income taxed at concessionary rates	(48,293)	(62,999)	(47,492)	(62,185)
Different tax rates in other countries	116,345	106,018	57,199	42,708
Losses of foreign operations not offset against taxable income of Singapore operations	816	–	816	56
Income not subject to tax	(84,486)	(52,891)	(92,334)	(72,500)
Expenses not deductible for tax	47,582	27,468	31,315	6,101
Others	(18,950)	1,020	(22,817)	160
Tax expense on profit of the financial year	655,466	643,480	456,763	432,591

13. Earnings per share

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

	The Group	
	2015	2014
Profit attributable to equity holders of the Bank (\$'000)	3,208,899	3,249,101
Dividends on preference shares (\$'000)	(39,936)	(36,799)
Distribution of perpetual capital securities (\$'000)	(65,400)	(65,400)
Adjusted profit (\$'000)	3,103,563	3,146,902
Weighted average number of ordinary shares ('000)		
In issue	1,602,343	1,591,208
Adjustment for potential ordinary shares under share-based compensation plans	4,398	5,580
Diluted	1,606,741	1,596,788
EPS (\$)		
Basic	1.94	1.98
Diluted	1.93	1.97

Notes to the Financial Statements

for the financial year ended 31 December 2015

14. Share capital and other capital

(a)

	2015		2014	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Ordinary shares				
Balance at 1 January	1,614,544	3,944,232	1,590,494	3,427,638
Issue of shares under scrip dividend scheme	–	–	24,050	516,594
Balance at 31 December	1,614,544	3,944,232	1,614,544	3,944,232
Treasury shares				
Balance at 1 January	(11,857)	(229,610)	(14,069)	(272,446)
Share buyback – held in treasury	(1,740)	(36,658)	–	–
Issue of shares under share-based compensation plans	1,316	25,745	2,212	42,836
Balance at 31 December	(12,281)	(240,523)	(11,857)	(229,610)
Ordinary share capital	1,602,263	3,703,709	1,602,687	3,714,622
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	–	847,441	–	847,441
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	–	498,552	–	498,552
Share capital and other capital of the Bank	5,049,702		5,060,615	
Non-cumulative non-convertible guaranteed SPV-A preference shares at 1 January and 31 December	5	831,550	5	831,550
Share capital and other capital of the Group	5,881,252		5,892,165	

- (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 1,316,000 (2014: 2,212,000) treasury shares to participants of the share-based compensation plans.
- (d) The 4.90% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 23 July 2013. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 23 July 2018 or any distribution payment date thereafter or upon the occurrence of certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4.90% per annum, subject to a reset on 23 July 2018 (and every five years thereafter) to a rate equal to the prevailing five-year SGD SOR plus the initial margin of 3.195%. Distributions are payable semi-annually on 23 January and 23 July of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

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

14. Share capital and other capital (continued)

- (e) The 4.75% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 19 November 2013. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 19 November 2019 or any distribution payment date thereafter or upon the occurrence of 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 SGD SOR plus the initial margin of 2.92%. Distributions are payable semi-annually on 19 May and 19 November of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

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

- (f) The non-cumulative non-convertible guaranteed SPV-A preference shares of US\$0.01 each with liquidation preference of US\$100,000 per share were issued on 13 December 2005 by the Bank via its wholly-owned subsidiary, UOB Cayman I Limited. The entire proceeds were used by the subsidiary to subscribe for the US\$500 million subordinated note (Note 22b(vi)) issued by the Bank.

The shares are perpetual securities with no maturity date. They are redeemable in whole but not in part, (a) at the discretion of the subsidiary for cash on any dividend payment date on or after 15 March 2016 or (b) at the discretion of the Bank, for cash or for one Class A preference share per SPV-A preference share in the event of certain changes in the tax laws of Singapore or the Cayman Islands, or on any day after 13 December 2010 on the occurrence of certain special events. The SPV-A preference shares will be automatically redeemed upon the occurrence of certain specific events.

The shares are guaranteed by the Bank on a subordinated basis in respect of dividends and redemption payments. In the event any dividend or guaranteed payment with respect to the shares is not paid in full, the Bank and its subsidiaries (other than those carrying on banking business) that have outstanding preference shares or other similar obligations that constitute Tier 1 capital of the Group on an unconsolidated basis are estopped from declaring and paying any dividend or other distributions in respect of their ordinary shares or any other security or obligation of the Group ranking pari passu with or junior to the subordinated guarantee.

Dividends on the shares are payable at the sole discretion of the Bank semi-annually at an annual rate of 5.796% of the liquidation preference from 15 March 2006 to and excluding 15 March 2016. From 15 March 2016, dividends are payable quarterly at a floating rate per annum equal to the three-month LIBOR plus 1.745%.

- (g) The perpetual capital securities and SPV-A preference shares qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios.

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for the financial year ended 31 December 2015

15. Retained earnings

(a)

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at 1 January	14,064,092	12,002,525	10,808,566	9,255,114
Profit for the financial year attributable to equity holders of the Bank	3,208,899	3,249,101	2,679,440	2,691,211
Remeasurement of defined benefit obligation	(10,243)	(4,801)	–	–
Transfer from other reserves	66,957	95,811	74,250	115,062
Reclassification of share-based compensation reserves on expiry	353	80	353	80
Dividends				
Ordinary shares				
Final dividend of 50 cents one-tier tax-exempt and special dividend of 5 cents one-tier tax-exempt (2014: 50 cents one-tier tax-exempt and special dividend of 5 cents one-tier tax-exempt) per share paid in respect of prior financial year	(881,227)	(867,243)	(881,227)	(867,243)
Interim dividend of 35 cents one-tier tax-exempt (2014: 20 cents one-tier tax-exempt) per share paid in respect of the financial year	(560,797)	(320,258)	(560,797)	(320,258)
80 th Anniversary dividend of 20 cents one-tier tax-exempt per share accrued in respect of the financial year	(320,465)	–	(320,465)	–
Semi-annual dividend at 5.796% per annum on non-cumulative non-convertible guaranteed SPV-A preference shares	(38,975)	(25,723)	–	–
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)
	(1,866,864)	(1,278,624)	(1,827,889)	(1,252,901)
Balance at 31 December	15,463,194	14,064,092	11,734,720	10,808,566

- (b) The retained earnings are distributable reserves except for an amount of \$528,996,000 (2014: \$487,579,000), being the Group's share of revenue reserves of associates and joint ventures which is distributable only upon realisation by way of dividend from or disposal of investment in the associates and joint ventures.
- (c) In respect of the financial year ended 31 December 2015, the directors have proposed a final one-tier tax-exempt dividend of 35 cents per ordinary share amounting to a total dividend of \$560,792,000. The proposed dividend will be accounted for in Year 2016 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
2015									
Balance at 1 January	1,014,629	(1,097,227)	45,699	3,151,682	3,293,891	3,416,316	77,565	(289,462)	9,613,093
Other comprehensive income for the financial year	222,495	(340,479)	–	–	–	–	14,643	907	(102,434)
Transfers	–	–	–	(74,250)	(2,799,087)	2,807,822	–	(1,442)	(66,957)
Share-based compensation	–	–	39,630	–	–	–	–	–	39,630
Reclassification of share-based compensation reserves on expiry	–	–	(353)	–	–	–	–	–	(353)
Issue of shares under share-based compensation plans	–	–	(23,170)	–	–	–	–	(2,575)	(25,745)
Change in non-controlling interests	42	–	–	–	–	–	–	(33,316)	(33,274)
Balance at 31 December	1,237,166	(1,437,706)	61,806	3,077,432	494,804	6,224,138	92,208	(325,888)	9,423,960
2014									
Balance at 1 January	478,578	(1,199,851)	45,191	3,266,744	3,267,989	3,416,316	51,909	(274,220)	9,052,656
Other comprehensive income for the financial year	536,051	102,624	–	–	–	–	25,656	–	664,331
Transfers	–	–	–	(115,062)	25,902	–	–	(6,651)	(95,811)
Share-based compensation	–	–	33,529	–	–	–	–	–	33,529
Reclassification of share-based compensation reserves on expiry	–	–	(80)	–	–	–	–	–	(80)
Issue of shares under share-based compensation plans	–	–	(32,941)	–	–	–	–	(9,895)	(42,836)
Change in non-controlling interests	–	–	–	–	–	–	–	1,304	1,304
Balance at 31 December	1,014,629	(1,097,227)	45,699	3,151,682	3,293,891	3,416,316	77,565	(289,462)	9,613,093

Notes to the Financial Statements

for the financial year ended 31 December 2015

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
2015								
Balance at 1 January	999,137	(67,770)	45,699	3,151,682	2,752,922	2,930,499	(31,683)	9,780,486
Other comprehensive income for the financial year	243,062	8,532	–	–	–	–	–	251,594
Transfers	–	–	–	(74,250)	(2,752,922)	2,752,922	–	(74,250)
Share-based compensation	–	–	39,630	–	–	–	–	39,630
Reclassification of share-based compensation reserves on expiry	–	–	(353)	–	–	–	–	(353)
Issue of shares under share-based compensation plans	–	–	(23,170)	–	–	–	(2,575)	(25,745)
Balance at 31 December	1,242,199	(59,238)	61,806	3,077,432	–	5,683,421	(34,258)	9,971,362
2014								
Balance at 1 January	548,319	(76,236)	45,191	3,266,744	2,752,922	2,930,499	(21,788)	9,445,651
Other comprehensive income for the financial year	450,818	8,466	–	–	–	–	–	459,284
Transfers	–	–	–	(115,062)	–	–	–	(115,062)
Share-based compensation	–	–	33,529	–	–	–	–	33,529
Reclassification of share-based compensation reserves on expiry	–	–	(80)	–	–	–	–	(80)
Issue of shares under share-based compensation plans	–	–	(32,941)	–	–	–	(9,895)	(42,836)
Balance at 31 December	999,137	(67,770)	45,699	3,151,682	2,752,922	2,930,499	(31,683)	9,780,486

- (b) Fair value reserve contains cumulative fair value changes of outstanding available-for-sale financial assets.
- (c) Foreign currency translation reserve represents differences arising from the use of year end exchange rates versus historical rates in translating the net assets of foreign operations, net of the effective portion of the fair value changes of related hedging instruments.
- (d) Share-based compensation reserve reflects the Bank's and the Group's commitments under the share-based compensation plans.
- (e) Merger reserve represents the premium on shares issued in connection with the acquisition of Overseas Union Bank Limited.
- (f) Statutory reserve is maintained in accordance with the provisions of applicable laws and regulations. This reserve is non-distributable unless otherwise approved by the relevant authorities.
- (g) General reserve has not been earmarked for any specific purpose.
- (h) Share of reserves of associates and joint ventures comprises the Group's share of associates' and joint ventures' post-acquisition revenue reserve at 1 January 1998 and other reserves, adjusted for goodwill arising from acquisition of associates and joint ventures prior to 1 January 2001. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates and joint ventures.

The Group's share of profit of associates and joint ventures is included in retained earnings with effect from 1 January 1998.

16. Other reserves (continued)

- (i) Other reserves include amounts transferred from retained earnings pertaining to gains on sale of investments by certain subsidiaries in accordance with their memorandums and articles of association, bonus shares issued by subsidiaries, gains and losses on issue of treasury shares under the share-based compensation plans, cash flow hedge reserve, as well as the difference between consideration paid and interest acquired from non-controlling interests of subsidiaries.

17. Classification of financial assets and financial liabilities

(a)

	The Group				
	Held for trading \$'000	Designated as fair value through profit or loss \$'000	Available- for-sale \$'000	Loans and receivables/ amortised cost \$'000	Total \$'000
2015					
Cash, balances and placements with central banks	3,215,243	–	7,081,490	22,008,782	32,305,515
Singapore Government treasury bills and securities	186,243	–	6,678,809	–	6,865,052
Other government treasury bills and securities	3,242,377	–	9,401,351	–	12,643,728
Trading securities	1,276,574	–	–	–	1,276,574
Placements and balances with banks	4,475,059	371,373	733,188	23,066,438	28,646,058
Loans to customers	332,199	–	–	203,278,708	203,610,907
Derivative financial assets	6,422,161	–	–	–	6,422,161
Investment securities					
Debt	–	109,120	6,832,168	370,108	7,311,396
Equity	–	–	3,251,098	–	3,251,098
Other assets	659,316	29,846	4,978	4,341,535	5,035,675
Total financial assets	19,809,172	510,339	33,983,082	253,065,571	307,368,164
Non-financial assets					8,643,041
Total assets					316,011,205
Deposits and balances of banks, customers and subsidiaries	790,171	2,782,365	–	248,938,274	252,510,810
Bills and drafts payable	–	–	–	434,541	434,541
Derivative financial liabilities	5,969,076	–	–	–	5,969,076
Other liabilities	987,156	–	–	3,945,729	4,932,885
Debts issued	–	908,103	–	19,380,185	20,288,288
Total financial liabilities	7,746,403	3,690,468	–	272,698,729	284,135,600
Non-financial liabilities					951,832
Total liabilities					285,087,432

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for the financial year ended 31 December 2015

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
2014					
Cash, balances and placements with central banks	789,859	–	10,875,320	23,417,729	35,082,908
Singapore Government treasury bills and securities	234,757	–	7,521,952	–	7,756,709
Other government treasury bills and securities	1,553,900	–	8,587,042	–	10,140,942
Trading securities	738,262	–	–	–	738,262
Placements and balances with banks	1,342,976	131,024	2,842,986	24,375,065	28,692,051
Loans to customers	230,128	–	–	195,672,435	195,902,563
Derivative financial assets	6,305,928	–	–	–	6,305,928
Investment securities					
Debt	–	579,697	7,642,006	173,496	8,395,199
Equity	–	–	3,044,350	–	3,044,350
Other assets	578,797	–	107,032	1,877,602	2,563,431
Total financial assets	11,774,607	710,721	40,620,688	245,516,327	298,622,343
Non-financial assets					8,113,800
Total assets					306,736,143
 2014					
Deposits and balances of banks, customers and subsidiaries	1,518,454	2,750,963	–	240,706,574	244,975,991
Bills and drafts payable	–	–	–	950,727	950,727
Derivative financial liabilities	6,383,979	–	–	–	6,383,979
Other liabilities	194,938	–	–	2,654,157	2,849,095
Debts issued	–	494,888	–	20,458,415	20,953,303
Total financial liabilities	8,097,371	3,245,851	–	264,769,873	276,113,095
Non-financial liabilities					851,043
Total liabilities					276,964,138

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
2015					
Cash, balances and placements with central banks	3,007,916	–	6,698,602	14,542,308	24,248,826
Singapore Government treasury bills and securities	186,243	–	6,678,809	–	6,865,052
Other government treasury bills and securities	2,666,408	–	4,601,685	–	7,268,093
Trading securities	1,009,768	–	–	–	1,009,768
Placements and balances with banks	3,643,286	356,314	428,550	19,851,889	24,280,039
Loans to customers	332,199	–	–	157,898,041	158,230,240
Placements with and advances to subsidiaries	1,093,428	–	–	4,850,106	5,943,534
Derivative financial assets	5,695,663	–	–	–	5,695,663
Investment securities					
Debt	–	–	6,150,164	834,667	6,984,831
Equity	–	–	2,872,239	–	2,872,239
Other assets	801,556	–	2,755	2,847,257	3,651,568
Total financial assets	18,436,467	356,314	27,432,804	200,824,268	247,049,853
Non-financial assets					11,936,809
Total assets					258,986,662
 Deposits and balances of banks, customers and subsidiaries					
Bills and drafts payable	–	–	–	236,649	236,649
Derivative financial liabilities	5,427,808	–	–	–	5,427,808
Other liabilities	876,144	–	–	1,551,046	2,427,190
Debts issued	–	908,103	–	19,302,537	20,210,640
Total financial liabilities	7,095,415	2,953,818	–	221,581,164	231,630,397
Non-financial liabilities					600,481
Total liabilities					232,230,878

Notes to the Financial Statements

for the financial year ended 31 December 2015

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
2014					
Cash, balances and placements with central banks	268,965	–	9,195,840	15,342,564	24,807,369
Singapore Government treasury bills and securities	234,756	–	7,393,072	–	7,627,828
Other government treasury bills and securities	205,919	–	3,776,222	–	3,982,141
Trading securities	738,262	–	–	–	738,262
Placements and balances with banks	1,276,083	51,049	1,515,460	21,489,979	24,332,571
Loans to customers	230,128	–	–	149,299,525	149,529,653
Placements with and advances to subsidiaries	38,577	–	–	7,688,404	7,726,981
Derivative financial assets	5,710,358	–	–	–	5,710,358
Investment securities					
Debt	–	348,877	6,655,942	649,084	7,653,903
Equity	–	–	2,640,443	–	2,640,443
Other assets	756,379	–	4,661	714,322	1,475,362
Total financial assets	9,459,427	399,926	31,181,640	195,183,878	236,224,871
Non-financial assets					11,153,171
Total assets					247,378,042
 Deposits and balances of banks, customers and subsidiaries					
Bills and drafts payable	–	–	–	190,704	190,704
Derivative financial liabilities	5,928,255	–	–	–	5,928,255
Other liabilities	245,890	–	–	1,067,481	1,313,371
Debts issued	–	494,888	–	20,643,657	21,138,545
Total financial liabilities	7,693,136	2,092,338	–	211,341,184	221,126,658
Non-financial liabilities					601,717
Total liabilities					221,728,375

- (b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 37a.
- (c) For the financial instruments designated as fair value through profit or loss, the amounts payable at maturity are as follows:

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial liabilities				
Deposits and balances of banks, customers and subsidiaries	2,846,757	2,774,509	2,105,444	1,606,736
Debts issued	875,191	475,154	875,191	475,154
	3,721,948	3,249,663	2,980,635	2,081,890

18. Fair values of the financial instruments

- (a) The valuation process adopted by the Group is governed by the valuation, market data, and reserves policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation process incorporating the market rates, the methodologies and models, including the analysis of the valuation are regularly reviewed by Group Market Risk Control (MRC) within Group Risk Management. Further independent assurances are provided by internal auditors.

The rates and parameters utilised for valuation purposes are independently verified by the MRC. The market rates and parameters verification involves checks against available market providers or sources. These are applicable to products or instruments with liquid market or those traded within an exchange. Where market prices are not liquid, MRC will utilise additional techniques such as historical estimation or available proxy market rates and parameters to provide an additional layer of reasonableness checks. Where products or instruments are complex, the Group utilises approved valuation models. All valuation models are independently validated by Group Risk Analytics Division (RAD) within Group Risk Management.

In instances where unobservable inputs are used in the valuation models that are classified under Level 3 of the fair value hierarchy, apart from utilising market proxy instruments or prices, MRC may utilise available valuation techniques such as cash flow, profit and loss or net asset value in financial statements as a reasonableness check.

The valuation process is supplemented by valuation reserves to adjust for valuation uncertainties. MRC proposes the valuation reserve methodologies and adjustments which are rigorously discussed at the Market Risk Models & Reserves Working Group. This working group provides the support to Group Asset and Liability Committee (ALCO) for matters relating to model validation issues and valuation reserves.

The valuation adjustments or reserves set aside include bid/offer rate adjustments for long or short positions, illiquidity adjustments for less liquid instruments or where proxies are utilised, concentration adjustments for larger positions, model or parameter adjustments where complex models or estimated parameters are utilised, and other adjustments such as day 1 profit or loss for transactions that are longer term.

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

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

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

	The Group		The Bank	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
2015				
Investment debt securities	370,108	369,722	834,667	834,281
Debts issued	19,380,185	19,511,918	19,302,537	19,431,685
2014				
Investment debt securities	173,496	170,677	649,084	646,264
Debts issued	20,458,415	20,560,845	20,643,657	20,746,069

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18. Fair values of the financial instruments (continued)

- (b) The Group classified financial instruments carried at fair value by level of the following 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					
	2015			2014		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Cash, balances and placements with central banks	–	10,296,733	–	–	11,665,179	–
Singapore Government treasury bills and securities	6,865,052	–	–	7,756,709	–	–
Other government treasury bills and securities	12,643,728	–	–	10,140,942	–	–
Trading securities	1,128,147	–	148,427	738,262	–	–
Placements and balances with banks	–	5,579,620	–	–	4,316,986	–
Loans to customers	–	332,199	–	–	230,128	–
Derivative financial assets	12,567	6,228,247	181,347	12,496	6,094,346	199,086
Investment securities						
Debt	6,124,975	504,261	312,052	6,830,538	1,390,259	906
Equity	851,537	–	2,399,561	973,312	–	2,071,038
Other assets	677,718	16,422	–	685,829	–	–
	<u>28,303,724</u>	<u>22,957,482</u>	<u>3,041,387</u>	<u>27,138,088</u>	<u>23,696,898</u>	<u>2,271,030</u>
Total financial assets carried at fair value				54,302,593		53,106,016
Deposits and balances of banks, customers and subsidiaries	–	3,572,536	–	–	4,269,417	–
Derivative financial liabilities	97,758	5,689,971	181,347	11,209	6,173,684	199,086
Other liabilities	305,924	681,232	–	194,938	–	–
Debts issued	–	908,103	–	–	494,888	–
	<u>403,682</u>	<u>10,851,842</u>	<u>181,347</u>	<u>206,147</u>	<u>10,937,989</u>	<u>199,086</u>
Total financial liabilities carried at fair value				11,436,871		11,343,222

18. Fair values of the financial instruments (continued)

(b) (continued)

	The Bank					
	2015			2014		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Cash, balances and placements with central banks	–	9,706,518	–	–	9,464,805	–
Singapore Government treasury bills and securities	6,865,052	–	–	7,627,828	–	–
Other government treasury bills and securities	7,268,093	–	–	3,982,141	–	–
Trading securities	1,009,768	–	–	738,262	–	–
Placements and balances with banks	–	4,428,150	–	–	2,842,592	–
Loans to customers	–	332,199	–	–	230,128	–
Placements with and advances to subsidiaries	1,093,428	–	–	38,577	–	–
Derivative financial assets	27,784	5,486,532	181,347	5,567	5,505,705	199,086
Investment securities						
Debt	5,352,448	491,421	306,295	5,649,002	1,354,911	906
Equity	701,532	–	2,170,707	818,934	–	1,821,509
Other assets	801,879	2,432	–	761,040	–	–
	23,119,984	20,447,252	2,658,349	19,621,351	19,398,141	2,021,501
Total financial assets carried at fair value			46,225,585			41,040,993
Deposits and balances of banks, customers and subsidiaries	–	2,837,178	–	–	3,116,441	–
Derivative financial liabilities	97,567	5,148,894	181,347	5,195	5,723,974	199,086
Other liabilities	305,883	570,261	–	194,847	51,043	–
Debts issued	–	908,103	–	–	494,888	–
	403,450	9,464,436	181,347	200,042	9,386,346	199,086
Total financial liabilities carried at fair value			10,049,233			9,785,474

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18. Fair values of the 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 \$'000	Balance at 31 December \$'000	Unrealised gains included in income statement \$'000
2015								
Assets								
Trading securities	–	–	–	148,427	–	–	148,427	–
Derivative financial assets	199,086	(17,739)	–	–	–	–	181,347	(17,739)
Investment securities-debt	906	–	(3,632)	102,250	(906)	213,434	312,052	–
Investment securities-equity	2,071,038	(102,149)	467,114	359,586	(396,028)	–	2,399,561	–
Liabilities								
Derivative financial liabilities	199,086	(17,739)	–	–	–	–	181,347	(17,739)
2014								
Assets								
Derivative financial assets	168,223	30,863	–	–	–	–	199,086	30,863
Investment securities-debt	2,002	–	(73)	904	(1,927)	–	906	–
Investment securities-equity	92,005	12,504	318,867	17,275	(63,064)	1,693,451	2,071,038	–
Liabilities								
Derivative financial liabilities	168,223	30,863	–	–	–	–	199,086	30,863

18. Fair values of the financial instruments (continued)

(c) (continued)

The Bank									
<u>Fair value gains or (losses)</u>									
	Balance at 1 January \$'000	Income statement \$'000	Other comprehensive income \$'000	Purchases \$'000	Settlements \$'000	Transfer in \$'000	Balance at 31 December \$'000	Unrealised gains included in income statement \$'000	
2015									
Assets									
Derivative financial assets	199,086	(17,739)	–	–	–	–	181,347	(17,739)	
Investment securities-debt	906	–	(3,640)	96,500	(906)	213,435	306,295	–	
Investment securities-equity	1,821,509	(67,516)	478,715	311,937	(373,938)	–	2,170,707	–	
Liabilities									
Derivative financial liabilities	199,086	(17,739)	–	–	–	–	181,347	(17,739)	
2014									
Assets									
Derivative financial assets	168,223	30,863	–	–	–	–	199,086	30,863	
Investment securities-debt	2,002	–	(73)	904	(1,927)	–	906	–	
Investment securities-equity	60,963	12,580	264,157	12,708	(58,779)	1,529,880	1,821,509	–	
Liabilities									
Derivative financial liabilities	168,223	30,863	–	–	–	–	199,086	30,863	

Financial assets transferred from Level 2 to Level 3 relate primarily to corporate securities as liquidity for these securities reduced significantly over the year.

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18. Fair values of the financial instruments (continued)

- (d) Effect of changes in significant unobservable inputs to reflect reasonably possible alternatives.
 As at 31 December 2015, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted equity investments and funds, unquoted debt securities, and long dated equity derivatives, summarised as follows:

	Classification	Valuation technique	Unobservable inputs
2015			
Assets			
Trading securities	FVPL ¹	Net Asset Value and comparatives	Financial ratios multiples
Derivative financial assets	FVPL ¹	Option Pricing Model	Standard deviation
Investment securities-debt	AFS ²	Discounted Cash Flow	Credit spreads
Investment securities-equity	AFS ²	Multiples and Net Asset Value	Net asset value, earnings and financial ratios multiples
Liabilities			
Derivative financial liabilities	FVPL ¹	Option Pricing Model	Standard deviation

1 Financial instruments classified as fair value through profit or loss.

2 Financial instruments classified as available-for-sale.

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised into Level 3 because of a single unobservable input.

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 movement in fair value arising from reasonably possible changes to the significant unobservable input is assessed as not significant.

19. Deposits and balances of customers

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Fixed deposits	125,485,520	129,787,002	94,289,545	94,341,385
Savings deposits	55,966,078	51,654,000	45,020,974	41,246,101
Current accounts	51,221,174	45,481,692	44,346,319	38,691,177
Others	7,851,701	6,826,950	6,721,038	4,844,226
	240,524,473	233,749,644	190,377,876	179,122,889

20. Other liabilities

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Accrued interest payable	699,525	552,135	386,526	276,164
Accrued operating expenses	714,535	648,304	395,505	351,195
Sundry creditors	2,930,517	1,419,410	1,184,912	451,510
Others	917,876	537,874	613,215	393,316
	5,262,453	3,157,723	2,580,158	1,472,185

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21. Deferred tax

Deferred tax comprises the following:

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Deferred tax liabilities on:				
Unrealised gain on available-for-sale financial assets	97,403	97,677	81,144	76,143
Accelerated tax depreciation	100,877	88,223	90,754	78,902
Fair value of depreciable assets acquired in business combination	27,527	28,045	27,527	28,045
Others	73,376	71,245	734	808
	299,183	285,190	200,159	183,898
Amount offset against deferred tax assets	(107,597)	(124,701)	(99,063)	(100,710)
	191,586	160,489	101,096	83,188
Deferred tax assets on:				
Unrealised loss on available-for-sale financial assets	–	614	–	297
Allowance for impairment	155,399	155,377	112,137	115,030
Tax losses	15,653	49,719	15,178	48,050
Unrealised loss on financial instruments fair value through profit or loss	68,947	70,803	(754)	4,289
Others	94,633	79,824	38,355	34,780
	334,632	356,337	164,916	202,446
Amount offset against deferred tax liabilities	(107,597)	(124,701)	(99,063)	(100,710)
	227,035	231,636	65,853	101,736
Net deferred tax assets/(liabilities)	35,449	71,147	(35,243)	18,548

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

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at 1 January	71,147	201,325	18,548	66,396
Currency translation adjustments	(2,959)	(3,115)	(2,419)	(3,356)
Charge to income statement	(33,018)	(103,190)	(46,066)	(32,711)
Charge to equity	279	(23,873)	(5,306)	(11,781)
Balance at 31 December	35,449	71,147	(35,243)	18,548

The Group has not recognised deferred tax assets in respect of tax losses of \$27,111,000 (2014: \$23,353,000) which can be carried forward to offset against future taxable income, subject to meeting certain statutory requirements of the relevant tax authorities. These tax losses have no expiry date except for an amount of \$1,602,000 (2014: \$334,000) which will expire between the years 2017 and 2018 (2014: 2017 and 2034).

22. Debts issued

(a)

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Subordinated notes				
S\$1 billion 3.45% subordinated notes due 2021 callable in 2016	1,000,531	1,012,708	1,000,531	1,012,708
S\$1.2 billion 3.15% subordinated notes due 2022 callable in 2017	1,180,456	1,187,170	1,180,456	1,187,170
S\$500 million 3.50% subordinated notes due 2026 callable in 2020	484,657	495,315	484,657	495,315
US\$800 million 3.75% subordinated notes due 2024 callable in 2019	1,137,721	1,058,346	1,137,721	1,058,346
US\$500 million 2.875% subordinated notes due 2022 callable in 2017	701,930	651,687	701,930	651,687
US\$500 million 5.796% subordinated notes due 2055 callable in 2016	–	–	706,950	660,700
RM500 million 4.88% subordinated notes due 2020 callable with step-up in 2015	–	189,003	–	–
RM1 billion 4.65% subordinated notes due 2025 callable in 2020	329,222	–	–	–
IDR433 billion 11.35% subordinated notes due 2021	43,800	45,320	–	–
	4,878,317	4,639,549	5,212,245	5,065,926
Of which, fair value hedge (gain)/loss	(21,611)	(765)	(21,522)	(765)
Other debts issued				
Credit-linked notes	–	74,725	–	74,725
Interest rate-linked notes	984,453	559,835	984,453	559,835
Equity-linked notes	939,562	962,905	939,562	962,905
Floating rate notes	1,326,010	2,031,646	1,326,010	2,031,646
Fixed rate notes	2,459,141	2,179,156	2,071,072	1,938,021
Commercial papers	9,665,511	10,502,137	9,665,511	10,502,137
Others	35,294	3,350	11,787	3,350
	15,409,971	16,313,754	14,998,395	16,072,619
Of which, fair value hedge (gain)/loss	15,056	11,333	15,056	11,333
Total debts issued	20,288,288	20,953,303	20,210,640	21,138,545

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22. Debts issued (continued)

- (b) Subordinated notes
- (i) The S\$1 billion 3.45% subordinated notes were issued by the Bank at par on 1 April 2011 and will mature on 1 April 2021. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 1 April 2016 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 3.45% per annum up to and including 31 March 2016. From and including 1 April 2016, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year Singapore Dollar Interest Rate Swap Offer Rate on 1 April 2016 plus 1.475%.
 - (ii) The S\$1.2 billion 3.15% subordinated notes were issued by the Bank at par on 11 July 2012 and will mature on 11 July 2022. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 11 July 2017 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 3.15% per annum up to and including 10 July 2017. From and including 11 July 2017, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year Singapore Dollar Interest Rate Swap Offer Rate on 11 July 2017 plus 2.115%.
 - (iii) The S\$500 million 3.50% subordinated notes were issued by the Bank at par on 22 May 2014 and will mature on 22 May 2026. The notes may be redeemed 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 Singapore 6-year Swap Offer Rate 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.
 - (iv) The US\$800 million 3.75% subordinated notes were issued by the Bank at 99.357 on 19 March 2014 and will mature on 19 September 2024. The notes may be redeemed 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 United States Dollar 5-year 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.
 - (v) The US\$500 million 2.875% subordinated notes were issued by the Bank at 99.575 on 17 October 2012 and will mature on 17 October 2022. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 17 October 2017 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 2.875% per annum up to and excluding 17 October 2017. From and including 17 October 2017, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year U.S. Treasury Rate on 17 October 2017 plus initial spread of 2.30%.
 - (vi) The US\$500 million 5.796% subordinated note was issued by the Bank at par to UOB Cayman I Limited on 13 December 2005. It matures on 13 December 2055 which is subject to extension. The note may be redeemed, in whole but not in part, at the option of the Bank, on 15 March 2016 or any interest payment date thereafter, subject to the approval of MAS and certain other conditions. Interest is payable semi-annually at 5.796% per annum beginning 15 March 2006. From and including 15 March 2016, interest is payable quarterly at a floating rate per annum equal to the three-month LIBOR plus 1.745%.

22. Debts issued (continued)

(b) Subordinated notes (continued)

The S\$ and US\$ subordinated notes issued by the Bank are unsecured obligations with the US\$500 million 5.796% subordinated note ranking junior to all other S\$ and US\$ subordinated notes. All other liabilities of the Bank outstanding at the balance sheet date rank senior to all S\$ and US\$ subordinated notes. Except for the US\$500 million 5.796% subordinated note, the S\$ and US\$ subordinated notes qualify for Tier 2 capital.

- (vii) The RM1 billion 4.65% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd (UOBM) on 8 May 2015 and will mature on 8 May 2025. The notes may be redeemed 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 beginning 9 November 2015.
- (viii) The IDR433 billion 11.35% subordinated notes were issued by PT Bank UOB Indonesia on 28 May 2014 and will mature on 28 May 2021. Interest is payable quarterly at a fixed rate of 11.35% per annum beginning 28 August 2014.

(c) Other debts issued

- (i) The interest rate-linked notes, with embedded interest rate derivatives, were issued at par with maturities ranging from 17 October 2023 to 6 July 2045. 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 4 January 2016 to 22 September 2017. 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 22 June 2016 to 2 September 2020. Interest is payable quarterly at a floating rate.
- (iv) The fixed rate notes comprise mainly notes issued by the Bank with maturities ranging from 24 June 2016 to 18 March 2020. Interest is payable semi-annually and quarterly at a fixed rate ranged from 2.2% to 2.5% per annum.
- (v) The commercial papers were issued by the Bank with maturities ranging from 4 January 2016 to 6 April 2016. Interest rates of the papers ranged from 0.34% to 0.72% per annum (2014: 0.17% to 0.31% per annum).
- (vi) Others comprise mainly foreign exchange-linked notes issued by the Bank with maturities ranging from 18 January 2016 to 22 May 2018.

23. Cash, balances and placements with central banks

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash on hand	1,762,169	1,526,271	1,472,083	1,185,177
Balances with central banks				
Restricted balances	5,077,651	5,378,590	3,518,466	3,429,404
Non-restricted balances	25,465,695	28,178,047	19,258,277	20,192,788
	32,305,515	35,082,908	24,248,826	24,807,369

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24. Trading securities

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Quoted securities				
Debt	701,080	678,682	582,701	678,682
Equity	40,757	45,275	40,757	45,275
Unquoted securities				
Debt	386,310	14,305	386,310	14,305
Equity	148,427	—	—	—
	1,276,574	738,262	1,009,768	738,262

25. Loans to customers

(a)

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Loans to customers (gross)				
Loans to customers (gross)	207,370,928	199,342,620	160,930,679	151,945,533
Specific allowances (Note 25d)	(773,143)	(656,977)	(493,600)	(374,437)
General allowances (Note 25d)	(2,986,878)	(2,783,080)	(2,206,839)	(2,041,443)
Loans to customers (net)	203,610,907	195,902,563	158,230,240	149,529,653
Comprising:				
Trade bills	2,210,033	2,861,326	467,406	896,803
Advances to customers	201,400,874	193,041,237	157,762,834	148,632,850
	203,610,907	195,902,563	158,230,240	149,529,653

(b) Gross loans to customers analysed by industry

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Transport, storage and communication				
Transport, storage and communication	10,018,888	10,014,207	8,781,547	8,559,673
Building and construction	45,210,695	38,671,909	39,590,701	33,316,438
Manufacturing	15,803,499	17,138,603	9,222,510	10,465,496
Financial institutions	14,281,925	16,039,282	12,646,080	13,742,523
General commerce	28,302,469	27,118,835	20,792,664	19,116,404
Professionals and private individuals	25,949,643	26,007,428	18,201,657	18,293,684
Housing loans	56,385,159	54,711,159	41,962,230	40,442,405
Others	11,418,650	9,641,197	9,733,290	8,008,910
	207,370,928	199,342,620	160,930,679	151,945,533

25. Loans to customers (continued)

(c) Gross loans to customers analysed by currency

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Singapore dollar	108,323,053	106,784,698	108,006,885	106,451,643
US dollar	35,953,348	33,471,284	32,367,774	29,769,476
Malaysian ringgit	22,375,222	24,364,127	–	–
Thai baht	10,934,725	10,154,988	170	351
Indonesian rupiah	5,156,845	4,776,767	–	–
Others	24,627,735	19,790,756	20,555,850	15,724,063
	207,370,928	199,342,620	160,930,679	151,945,533

(d) Movements of allowances for impairment on loans

	2015		2014	
	Specific allowances \$'000	General allowances \$'000	Specific allowances \$'000	General allowances \$'000
The Group				
Balance at 1 January	656,977	2,783,080	797,853	2,322,893
Currency translation adjustments	(6,294)	(60,066)	8,972	1,098
Write-off/disposal	(155,727)	–	(322,960)	–
Reclassification	–	–	(983)	71,027
Net charge to income statement	278,187	263,864	174,095	388,062
Balance at 31 December	773,143	2,986,878	656,977	2,783,080
The Bank				
Balance at 1 January	374,437	2,041,443	529,592	1,686,101
Currency translation adjustments	11,035	848	3,772	351
Write-off/disposal	(21,768)	–	(230,870)	–
Reclassification	–	–	–	70,000
Net charge to income statement	129,896	164,548	71,943	284,991
Balance at 31 December	493,600	2,206,839	374,437	2,041,443

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26. Financial assets transferred

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

(a) Assets pledged or transferred

Assets transferred under repurchase agreements 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Assets pledged and transferred				
Singapore Government treasury bills and securities	123,025	673,269	123,025	673,269
Other government treasury bills and securities	931,616	632,293	463,220	510,445
Placements and balances with banks				
Negotiable certificates of deposit	11,356	523,449	11,356	523,449
Bankers' acceptances	–	27,094	–	27,094
Investment securities	86,202	79,113	86,202	79,113
	1,152,199	1,935,218	683,803	1,813,370

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

(b) Collateral received

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

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Assets received for reverse repo transactions, at fair value				
	5,757,701	3,179,044	3,315,153	2,469,795
Of which, sold or repledged	392,734	63,161	392,734	63,161

26. Financial assets transferred (continued)

(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:

	2015		2014	
	Reverse repo \$'000	Repo \$'000	Reverse repo \$'000	Repo \$'000
The Group				
Gross/net carrying amount on the balance sheet ¹	5,443,392	1,525,531	3,076,500	1,859,436
Amount not subject to netting agreements	–	–	–	–
Amount subject to netting agreements	5,443,392	1,525,531	3,076,500	1,859,436
Amount nettable ²	(262,355)	(262,355)	(555,426)	(555,426)
Financial collateral	(3,525,967)	(1,006,080)	(2,516,957)	(1,303,478)
Net amounts	1,655,070	257,096	4,117	532
The Bank				
Gross/net carrying amount on the balance sheet ¹	3,006,688	1,063,241	2,369,912	1,738,868
Amount not subject to netting agreements	–	–	–	–
Amount subject to netting agreements	3,006,688	1,063,241	2,369,912	1,738,868
Amount nettable ²	(262,355)	(262,355)	(555,439)	(555,439)
Financial collateral	(2,730,671)	(543,790)	(1,810,368)	(1,182,923)
Net amounts	13,662	257,096	4,105	506

1 There was no amount that met the offsetting criteria as at the balance sheet date.

The gross/net carrying amount of reverse repo is presented under "Cash, balances and placements with central banks", "Placements and balances with banks", and "Loans to customers" while repo is under "Deposits and balances of Banks and Customers" on the balance sheet.

2 Amount that could be netted under the netting agreements.

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27. Investment securities

(a)

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Quoted securities				
Debt	5,989,852	6,411,242	5,533,198	5,849,179
Equity	894,367	1,022,769	731,156	849,317
Unquoted securities				
Debt	1,462,282	2,158,720	1,579,212	1,964,378
Equity	2,453,822	2,130,274	2,214,678	1,868,805
Allowance for impairment (Note 31)	(237,829)	(283,456)	(201,174)	(237,333)
	10,562,494	11,439,549	9,857,070	10,294,346

(b) Investment securities analysed by industry

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Transport, storage and communication	1,010,440	794,124	999,756	782,013
Building and construction	560,442	282,339	499,642	210,784
Manufacturing	1,469,108	1,175,105	1,429,307	1,146,771
Financial institutions	4,147,070	5,340,325	3,704,918	4,744,712
General commerce	773,097	609,651	664,195	488,104
Others	2,602,337	3,238,005	2,559,252	2,921,962
	10,562,494	11,439,549	9,857,070	10,294,346

28. Other assets

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Interest receivable	822,664	808,701	562,069	523,483
Sundry debtors	3,082,514	770,400	2,048,073	47,068
Foreclosed properties	91,927	128,513	–	–
Others	1,622,419	1,272,461	1,090,430	909,656
Allowance for impairment (Note 31)	(264,671)	(261,636)	(14,685)	(14,775)
	5,354,853	2,718,439	3,685,887	1,465,432

29. Investment in associates and joint ventures

(a)

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Material associates:				
UOB-Kay Hian Holdings Limited	534,236	491,723	66,889	51,763
Network for Electronic Transfers (Singapore) Pte Ltd	63,314	54,819	7,399	7,399
	597,550	546,542	74,288	59,162
Other associates/joint ventures	526,575	647,894	369,393	485,496
	1,124,125	1,194,436	443,681	544,658
Allowance for impairment (Note 31)	(18,179)	(4,987)	(36,675)	(21,520)
	1,105,946	1,189,449	407,006	523,138
Market value of quoted equity securities at 31 December	440,271	456,824	440,271	456,824

Name of associate	Principal activities	Country of Incorporation	Effective equity interest of the Group	
			2015	2014
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	41	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 that are not individually material are as follows:

	The Group	
	2015 \$'000	2014 \$'000
Profit for the financial year		
	28,764	120,002
Other comprehensive income	1,684	23,717
Total comprehensive income	30,448	143,719

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for the financial year ended 31 December 2015

29. Investment in associates and joint ventures (continued)

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

Summarised statements of comprehensive income

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Operating income	382,466	408,897	155,543	147,890
Profit for the financial year	77,364	73,318	28,698	23,243
<u>Other comprehensive income</u>	26,400	4,149	5,237	43
Total comprehensive income	103,764	77,467	33,935	23,286

Summarised balance sheets

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current assets	3,583,780	2,438,234	339,901	311,511
Non-current assets	284,482	173,270	53,953	43,526
Total assets	3,868,262	2,611,504	393,854	355,037
Current liabilities	2,550,026	1,389,110	196,486	180,969
Non-current liabilities	2,022	3,185	7,426	9,611
Total liabilities	2,552,048	1,392,295	203,912	190,580
Net assets	1,316,214	1,219,209	189,942	164,457
Proportion of the Group's ownership	41%	40%	33%	33%
Group's share of net assets	534,153	491,659	63,314	54,819
<u>Other adjustments</u>	83	64	–	–
Carrying amount of the investment	534,236	491,723	63,314	54,819

Dividends of \$15,127,000 (2014: \$18,847,000) and \$2,817,000 (2014: \$5,775,000) were received from UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd respectively.

30. Investment in subsidiaries

(a)

	The Bank	
	2015 \$'000	2014 \$'000
Quoted equity securities	45,024	45,024
Unquoted equity securities	6,150,641	5,249,508
	6,195,665	5,294,532
Allowance for impairment (Note 31)	(354,614)	(313,794)
	5,841,051	4,980,738
Market value of quoted equity securities at 31 December	166,397	163,183

(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	
		2015 %	2014 %
Commercial Banking			
Far Eastern Bank Limited ¹	Singapore	100	79
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 Philippines	Philippines	100	100
Money Market			
UOB Australia Limited	Australia	100	100
Insurance			
United Overseas Insurance Limited	Singapore	58	58
Investment			
UOB Capital Investments Pte Ltd	Singapore	100	100
UOB Capital Management Pte Ltd	Singapore	100	100
UOB International Investment Private Limited	Singapore	100	100
UOB Property Investments Pte. Ltd.	Singapore	100	100
UOB Property Investments China Pte Ltd	Singapore	100	100
UOB Venture Management (Shanghai) Co., Ltd ²	China	100	100
UOB Holdings (USA) Inc. ³	United States	100	100

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30. Investment in subsidiaries (continued)

(b) (continued)

Name of subsidiary	Country of incorporation	Effective equity interest of the Group	
		2015 %	2014 %
Investment Management			
UOB Asset Management Ltd	Singapore	100	100
UOB Asset Management (Malaysia) Berhad	Malaysia	70	70
UOB Asset Management (Thailand) Co., Ltd.	Thailand	100	100
UOB Venture Management Private Limited	Singapore	100	100
UOB Investment Advisor (Taiwan) Ltd	Taiwan	100	100
UOB Global Capital LLC ²	United States	70	70
UOB Asia Investment Partners Pte Ltd	Singapore	100	100
Bullion, Brokerage and Clearing			
UOB Bullion and Futures Limited	Singapore	100	100
Property			
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100
PT UOB Property	Indonesia	100	100
UOB Realty (USA) Ltd Partnership ³	United States	100	100
Travel			
UOB Travel Planners Pte Ltd	Singapore	100	100

Notes:

1 On 20 April 2015, the Bank declared the voluntary conditional cash offer to acquire FEB shares became unconditional. On 23 June 2015, the Bank exercised its right of Compulsory Acquisition under Section 215(1) and 215(3) of the Companies Act to purchase the remaining FEB shares held by minority shareholders. The Bank paid \$3.51 for each share or total consideration of \$74 million for the additional 21.12% stake in FEB. The Bank increased its shareholding in FEB from 78.88% to 100% at that point and FEB became a wholly-owned subsidiary of the Bank. Equity attributable to non-controlling interest decreased \$41 million accordingly.

Except as indicated, all subsidiaries incorporated in Singapore are audited by Ernst & Young LLP, Singapore and those incorporated in overseas are audited by member firms of Ernst & Young Global Limited.

2 Audited by other auditors.

3 Not required to be audited.

30. 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
2015					
United Overseas Insurance Limited	Singapore	42	9,311	129,628	4,326
2014					
United Overseas Insurance Limited	Singapore	42	12,633	126,004	4,326
Far Eastern Bank Limited	Singapore	21	401	41,167	423

(d) Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statements of comprehensive income

	United Overseas Insurance Limited		Far Eastern Bank Limited
	2015	2014	2014
	\$'000	\$'000	\$'000
Operating income	44,813	49,571	12,429
Profit before tax	26,572	35,579	2,272
Tax	4,195	5,220	375
Profit for the financial year	22,377	30,359	1,897
Other comprehensive income	(3,271)	7,619	(85)
Total comprehensive income	19,106	37,978	1,812

Summarised balance sheets

	United Overseas Insurance Limited		Far Eastern Bank Limited
	2015	2014	2014
	\$'000	\$'000	\$'000
Total assets	558,633	576,748	1,012,755
Total liabilities	247,114	273,939	817,873
Net assets	311,519	302,809	194,882

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30. Investment in subsidiaries (continued)

(d) (continued)

Other summarised information

	United Overseas Insurance Limited	Far Eastern Bank Limited
	2015 \$'000	2014 \$'000
Net cash flows from operations	5,098	3,293
Acquisition of property, plant and equipment	98	175

(e) Consolidated structured entities

On 23 November 2015, the Group announced a US\$8 billion Global Covered Bond Programme (the Programme) to augment its funding programmes. Under the Programme, the Company may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor (the CBG), Glacier Eighty Pte. Ltd. The Covered Bonds issued under the Programme will be backed by a portfolio of Singapore home loans transferred by the Company to the CBG.

No issuance has been made as at 31 December 2015.

(f) Interests in unconsolidated structured entities

As at 31 December 2015, 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 Group's maximum exposure to loss approximates the carrying amount of the Group's investment in the funds. The table below summarises the Group's involvement in the funds.

	The Group	
	2015 \$'000	2014 \$'000
Assets under management *	11,228,792	11,207,464
Investment in funds	357,197	57,373
Fee income	105,539	106,596
Investment income	81,352	3,100

* Based on the latest available financial reports of the structured entities.

31. Movements of allowance for impairment on investments and other assets

	Investments		Other assets	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
The Group				
Balance at 1 January	288,443	477,453	261,636	287,264
Currency translation adjustments	(1,819)	2,816	(2,819)	5,793
Write-off/disposal	(31,400)	(143,547)	(2,584)	(22,494)
Net charge to income statement	784	10,289	8,438	2,549
Reclassification	–	(58,568)	–	(11,476)
Balance at 31 December	256,008	288,443	264,671	261,636
The Bank				
2015				
Balance at 1 January	237,333	21,520	313,794	14,775
Currency translation adjustments	1,176	–	11	6
Write-off/disposal	(18,341)	–	(32,697)	(1,485)
Net (write-back)/charge to income statement	(18,994)	15,155	73,506	1,389
Balance at 31 December	201,174	36,675	354,614	14,685
2014				
Balance at 1 January	446,218	43,205	326,056	35,831
Currency translation adjustments	2,933	–	6	100
Write-off/disposal	(141,337)	–	(7,569)	(22,368)
Net (write-back)/charge to income statement	(481)	(21,685)	(4,699)	1,212
Reclassification	(70,000)	–	–	–
Balance at 31 December	237,333	21,520	313,794	14,775

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32. Investment properties

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at 1 January	960,292	984,905	1,229,216	1,280,779
Currency translation adjustments	19,765	(4,532)	(285)	(2,005)
Additions	178,688	31,283	–	–
Disposals	(5,100)	(5,616)	(5,100)	(5,616)
Depreciation charge	(18,398)	(18,929)	(16,187)	(17,202)
Write-back of impairment	–	547	–	547
Transfers	(26,797)	(27,366)	(33,560)	(27,287)
Balance at 31 December	1,108,450	960,292	1,174,084	1,229,216
Represented by:				
Cost	1,388,887	1,226,197	1,396,407	1,441,164
Accumulated depreciation	(280,437)	(265,905)	(222,323)	(211,948)
Net carrying amount	1,108,450	960,292	1,174,084	1,229,216
Freehold property	404,464	420,146	758,304	810,130
Leasehold property	703,986	540,146	415,780	419,086
	1,108,450	960,292	1,174,084	1,229,216

Market values of the investment properties of the Bank and the Group as at 31 December 2015 were estimated to be \$2,691 million and \$3,252 million (2014: \$2,771 million and \$3,146 million) respectively. The valuations were performed by 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. These properties are classified under Level 2 of the fair value hierarchy as the valuation is derived primarily from market observable inputs.

33. Fixed assets

	2015			2014		
	Owner-occupied properties \$'000	Others \$'000	Total \$'000	Owner-occupied properties \$'000	Others \$'000	Total \$'000
The Group						
Balance at 1 January	710,004	718,131	1,428,135	687,931	620,459	1,308,390
Currency translation adjustments	(36,955)	(11,230)	(48,185)	12,434	4,438	16,872
Additions	255,526	257,767	513,293	407	226,880	227,287
Disposals	(13,860)	(4,269)	(18,129)	(4,837)	(4,107)	(8,944)
Depreciation charge	(14,292)	(148,822)	(163,114)	(14,893)	(129,539)	(144,432)
Write-back of impairment	(190)	–	(190)	1,596	–	1,596
Transfers	26,797	–	26,797	27,366	–	27,366
Balance at 31 December	927,030	811,577	1,738,607	710,004	718,131	1,428,135
Represented by:						
Cost	1,189,116	1,966,909	3,156,025	962,400	1,817,538	2,779,938
Accumulated depreciation	(261,826)	(1,155,332)	(1,417,158)	(252,314)	(1,099,407)	(1,351,721)
Allowance for impairment	(260)	–	(260)	(82)	–	(82)
Net carrying amount	927,030	811,577	1,738,607	710,004	718,131	1,428,135
Freehold property	472,708			479,094		
Leasehold property	454,322			230,910		
	927,030			710,004		
The Bank						
Balance at 1 January	681,071	465,383	1,146,454	661,174	399,491	1,060,665
Currency translation adjustments	132	623	755	1,556	255	1,811
Additions	–	169,594	169,594	–	147,160	147,160
Disposals	(12,706)	(3,458)	(16,164)	(424)	(2,627)	(3,051)
Depreciation charge	(9,604)	(91,918)	(101,522)	(9,640)	(78,896)	(88,536)
Write-back of impairment	–	–	–	1,118	–	1,118
Transfers	33,560	–	33,560	27,287	–	27,287
Balance at 31 December	692,453	540,224	1,232,677	681,071	465,383	1,146,454
Represented by:						
Cost	828,548	1,228,365	2,056,913	807,640	1,118,524	1,926,164
Accumulated depreciation	(136,095)	(688,141)	(824,236)	(126,569)	(653,141)	(779,710)
Net carrying amount	692,453	540,224	1,232,677	681,071	465,383	1,146,454
Freehold property	592,915			568,031		
Leasehold property	99,538			113,040		
	692,453			681,071		

Market values of the owner-occupied properties of the Bank and the Group as at 31 December 2015 were estimated to be \$1,887 million and \$3,137 million (2014: \$1,837 million and \$2,748 million) respectively. The valuations were performed by 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. These properties are classified under Level 2 of the fair value hierarchy as the valuation is derived primarily from market observable inputs.

Others comprise mainly computer equipment, application software and furniture and fittings.

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34. Intangible assets

(a)

	Goodwill	
	2015 \$'000	2014 \$'000
The Group		
Balance at 1 January	4,149,280	4,143,810
Currency translation adjustments	(5,455)	5,470
Balance at 31 December	4,143,825	4,149,280
Represented by:		
Cost	4,143,825	4,149,280
Accumulated impairment	—	—
Net carrying amount	4,143,825	4,149,280

(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 macro-economic conditions from external sources, in particular, interest rates and foreign currency, taking into account management's past experience on the impact of such changes to the cash flows of the Group. Long-term growth rate is imputed on fifth-year cash flow and then discounted to determine the terminal value. Key assumptions are as follows:

	Discount rate		Growth rate	
	2015	2014	2015	2014
Singapore	7.33	7.37	2.59	3.72
Thailand	11.80	11.75	3.32	3.37
Indonesia	12.70	12.65	5.63	5.81

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

35. Contingent liabilities

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

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Direct credit substitutes	4,914,684	5,022,165	3,066,545	3,079,419
Transaction-related contingencies	8,007,937	7,267,863	5,382,592	4,647,314
Trade-related contingencies	6,085,317	6,223,766	4,856,136	4,966,866
Others	18,304	1,197	1,218	1,197
	19,026,242	18,514,991	13,306,491	12,694,796

36. Financial derivatives

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

In the normal course of business, the Bank and the Group transact in customised derivatives to meet specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes, as well as to manage their assets, liabilities and structural positions. Risks associated with the use of derivatives and policies for managing these risks are set out in Note 43.

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

	2015			2014		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
The Group						
Foreign exchange contracts						
Forwards	38,697,181	919,044	654,629	39,133,210	817,848	439,200
Swaps	166,100,766	1,586,750	1,264,271	158,348,409	1,280,803	1,483,875
Futures	–	–	–	15,911	–	–
Options purchased	8,751,550	152,323	–	9,150,276	131,611	–
Options written	18,630,354	–	157,126	11,134,020	–	134,744
Interest rate contracts						
Swaps	425,260,412	3,133,133	3,263,844	367,004,380	3,518,624	3,711,277
Futures	388,256	253	136	496,609	744	439
Options purchased	783,388	4,820	–	878,576	6,705	–
Options written	1,303,002	–	8,660	3,418,000	–	11,458
Equity-related contracts						
Swaps	1,075,974	58,754	64,083	1,735,206	16,219	27,639
Options purchased	5,302,111	324,623	–	5,439,584	442,827	–
Options written	5,888,554	–	324,541	5,442,300	–	442,717
Credit-related contracts						
Swaps	1,041,943	10,988	6,588	1,242,421	2,022	40,942
Others						
Forwards	1,287,996	4,950	4,834	793,871	960	711
Swaps	1,766,722	213,613	122,302	950,169	75,269	79,275
Futures	1,120,047	12,267	97,573	286,104	11,575	10,757
Options purchased	42,727	643	–	8,797	721	–
Options written	34,310	–	489	8,816	–	945
	677,475,293	6,422,161	5,969,076	605,486,659	6,305,928	6,383,979

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36. Financial derivatives (continued)

(a) (continued)

	2015			2014		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
The Bank						
Foreign exchange contracts						
Forwards	32,898,659	557,332	355,173	32,095,309	471,659	210,789
Swaps	132,022,997	1,416,629	1,108,871	119,675,217	1,194,382	1,395,838
Futures	–	–	–	15,911	–	–
Options purchased	7,528,395	125,535	–	8,704,603	116,004	–
Options written	7,205,110	–	308,006	8,570,345	–	163,094
Interest rate contracts						
Swaps	389,215,206	3,017,945	3,097,180	325,575,251	3,403,366	3,583,906
Futures	63,172	148	136	496,609	744	439
Options purchased	783,388	4,820	–	6,531,449	6,705	–
Options written	1,303,002	–	8,660	4,270,352	–	11,458
Equity-related contracts						
Swaps	653,529	3,187	7,368	715,945	7,154	10,759
Options purchased	5,274,495	324,602	–	5,331,486	439,969	–
Options written	5,861,464	–	324,477	5,334,634	–	442,667
Credit-related contracts						
Swaps	1,041,943	10,988	6,588	1,242,421	2,022	40,942
Others						
Forwards	1,132,060	4,831	4,813	573,134	1,083	914
Swaps	1,751,489	217,154	108,921	818,539	62,353	62,331
Futures	1,030,383	12,258	97,381	200,468	4,542	4,743
Options purchased	1,379	234	–	5,807	375	–
Options written	1,379	–	234	5,807	–	375
	587,768,050	5,695,663	5,427,808	520,163,287	5,710,358	5,928,255

36. Financial derivatives (continued)

(b) Financial derivatives subject to netting agreements

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

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

	2015		2014	
	Positive fair value \$'000	Negative fair value \$'000	Positive fair value \$'000	Negative fair value \$'000
The Group				
Gross/net carrying amount on the balance sheet ¹	6,422,161	5,969,076	6,305,928	6,383,979
Amount not subject to netting agreements	(580,970)	(508,483)	(317,317)	(41,120)
Amount subject to netting agreements	5,841,191	5,460,593	5,988,611	6,342,859
Amount nettable ²	(4,187,476)	(4,187,476)	(4,336,034)	(4,336,034)
Financial collateral	(169,699)	(608,175)	(139,884)	(1,122,446)
Net amounts	1,484,016	664,942	1,512,693	884,379
The Bank				
Gross/net carrying amount on the balance sheet ¹	5,695,663	5,427,808	5,710,358	5,928,255
Amount not subject to netting agreements	(292,275)	(249,559)	–	–
Amount subject to netting agreements	5,403,388	5,178,249	5,710,358	5,928,255
Amount nettable ²	(4,087,567)	(4,087,567)	(4,320,806)	(4,320,806)
Financial collateral	(104,571)	(329,214)	(112,586)	(1,110,593)
Net amounts	1,211,250	761,468	1,276,966	496,856

1 There was no amount that met the offsetting criteria as at the balance sheet date.

2 Amount that could be netted under the netting agreements.

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37. Hedge accounting

(a) Fair value hedges

Interest rate swaps were contracted to hedge certain of the Group's loans, debt investment and debts issued against interest rate risk. As at 31 December 2015, the cumulative net fair value of the swaps was a loss of \$55 million (2014: loss of \$82 million) at the Bank and a loss of \$53 million (2014: loss of \$84 million) at the Group. During the financial year, fair value gains of \$30 million (2014: losses of \$46 million) and fair value gains of \$31 million (2014: losses of \$48 million) on the swaps was recognised in the Bank's and the Group's income statements respectively.

As at 31 December 2015, customer deposits of \$582 million (2014: \$699 million) were designated to hedge the foreign exchange risk arising from certain of the Bank's available-for-sale equity securities. During the financial year, foreign exchange losses of \$31 million (2014: losses of \$53 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 gain (2014: gain) on the hedged items.

The ineffectiveness arising from these hedges was insignificant.

(b) Cash flow hedges

Cross currency swaps were contracted to hedge the foreign exchange rate risk arising from certain customer deposits. The maturity dates of the swaps and deposits coincide and are within one year from the balance sheet date. As at 31 December 2015, the fair value of the swaps was a gain of \$17 million (2014: nil) at the Group. During the financial year, a net gain of \$34 million was recognised in the cash flow hedge reserve and a gain of \$33 million was reclassified from the reserve to income statement. The ineffectiveness arising from the hedge was insignificant.

(c) Hedges of net investment in foreign operations

As at 31 December 2015, customer deposits of \$2,487 million (2014: \$1,128 million) and cross currency swaps under Note 37b (2014: nil) were designated to hedge foreign exchange risk arising from the Group's foreign operations. During the financial year, foreign exchange gains of \$3 million (2014: nil) arising from hedge ineffectiveness were recognised in the Group's income statements.

38. Commitments

(a)

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Undrawn credit facilities ¹	137,164,948	120,935,421	108,313,092	94,520,414
Spot/forward contracts	2,932,294	3,232,880	3,075,406	3,510,259
Capital commitments	190,325	421,748	74,652	53,789
Operating lease commitments	147,335	134,482	82,477	65,847
Others	2,877,135	3,684,064	2,349,830	2,594,476
	143,312,037	128,408,595	113,895,457	100,744,785

1 With effect from 31 December 2015, the definition of undrawn credit facilities has been revised following the MAS' clarification on the definition of loan commitments. Commitments are now recognised on the date at which the loan contract or agreement is entered into. For loans on a progressive disbursal schedule, the full loan amount would be recognised upfront, instead of recognising only the next disbursal amount when conditions precedent are fulfilled. Prior year comparatives have been restated to align to the current definition. The undrawn credit facilities for 2014 were previously reported as \$92,119,645,000 and \$73,667,443,000 for the Group and the Bank respectively.

(b) Operating lease commitments

The Group leases out investment properties typically on 3 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Minimum lease payable				
Within 1 year	57,599	60,232	25,933	25,738
Over 1 to 5 years	80,177	65,984	47,399	33,795
Over 5 years	9,559	8,266	9,145	6,314
	147,335	134,482	82,477	65,847
Minimum lease receivable				
Within 1 year	110,157	106,421	91,587	86,778
Over 1 to 5 years	202,353	169,726	166,270	129,479
Over 5 years	17,915	8,452	13,992	3,708
	330,425	284,599	271,849	219,965

39. Cash and cash equivalents

Cash equivalents are highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible into known amount of cash. Cash and cash equivalents in the consolidated cash flow statement comprise the following:

	The Group	
	2015 \$'000	2014 \$'000
Cash on hand	1,762,169	1,526,271
Non-restricted balances with central banks	25,465,695	28,178,047
	27,227,864	29,704,318

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40. Share-based compensation plans

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

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

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

Grants made in 2012 and 2013 are subject to the achievement of predetermined return on equity (ROE) targets as shown below. Half of the grants will vest after two years, and the remainder after three years from the dates of grant.

Percentage of ROE target achieved	Percentage of award to be vested	
	2012 grant	2013 grant
≥ 115%	130%	130%
≥ 110%	120%	120%
≥ 105%	110%	110%
≥ 100%	100%	100%
≥ 95%	100%	100%
≥ 90%	90%	90%
≥ 85%	80%	80%
≥ 80%	At the discretion of the Remuneration Committee	70%
< 80%		At the discretion of the Remuneration Committee

Thirty per cent of grants made in and after 2014 will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy per cent will vest after three years, subject to the achievement of the three-year ROE targets. The vesting levels are shown below.

Percentage of ROE target achieved	Percentage of award to be vested for 2014 and 2015 grants *
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

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

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

The Plans shall be in force for a period of ten years or such other period as the Remuneration Committee may determine. The Plans only allow the delivery of UOB ordinary shares held in treasury by the Bank.

40. Share-based compensation plans (continued)

Movements and outstanding balances of these plans are as follows:

UOB Restricted Share Plan and UOB Share Appreciation Rights Plan

	The Group and The Bank Restricted shares	
	2015 '000	2014 '000
Balance at 1 January	3,211	2,351
Granted	1,949	1,843
Forfeited/cancelled	(195)	(38)
Vested	(874)	(945)
<u>Balance at 31 December</u>	<u>4,091</u>	<u>3,211</u>
	Share appreciation rights	
	2015 '000	2014 '000
Balance at 1 January	5,835	9,746
Forfeited/cancelled	(186)	(158)
Vested	(3,681)	(3,753)
<u>Balance at 31 December</u>	<u>1,968</u>	<u>5,835</u>
	Exercisable rights	
	2015 '000	2014 '000
Balance at 1 January	4,653	5,722
Vested	3,681	3,753
Forfeited/lapsed	(9)	(28)
Exercised	(1,887)	(4,794)
<u>Balance at 31 December</u>	<u>6,438</u>	<u>4,653</u>

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40. Share-based compensation plans (continued)

Year granted	Expiry date	Fair value per grant at grant date \$	Number of outstanding grants	
			2015 '000	2014 '000
Restricted shares				
2012	14 Dec 2014 and 14 Dec 2015	18.52	–	436
2013	13 Dec 2015 and 13 Dec 2016	18.96	450	932
2014	19 Sep 2016 and 19 Sep 2017	20.70	1,739	1,843
2015	4 May 2017 and 4 May 2018	22.57 and 18.83	1,902	–
			4,091	3,211
Share appreciation rights				
2012	14 Dec 2018	3.04	–	1,761
2013	13 Dec 2019	2.87	1,968	4,074
			1,968	5,835

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

Year granted	Restricted shares		
	2015		
	1 st grant	2 nd grant	2014
Exercise price (\$)		Not applicable	
Expected volatility (%) ¹	17.48	16.18	18.81
Risk-free interest rate (%)	1.09 – 1.30	1.25 – 1.35	0.80 – 1.12
Contractual life (years)	2 and 3	2 and 3	2 and 3
Expected dividend yield (%)	Management's forecast in line with dividend policy		

1 Based on past three years' historical volatility.

41. Related party transactions

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

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

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

	The Group		The Bank	
	2015 \$ million	2014 \$ million	2015 \$ million	2014 \$ million
(a) Interest income				
Subsidiaries	–	–	68	81
Associates and joint ventures	6	6	6	6
Interest expense				
Subsidiaries	–	–	17	11
Associates and joint ventures	3	6	2	2
Dividend income				
Subsidiaries	–	–	197	146
Associates and joint ventures	–	–	27	79
Rental income				
Subsidiaries	–	–	5	4
Rental and other expenses				
Subsidiaries	–	–	140	129
Associates and joint ventures	9	7	5	5
Fee and commission and other income				
Subsidiaries	–	–	95	68
Associates and joint ventures	8	4	5	2
Placements, securities, loans and advances				
Subsidiaries	–	–	6,408	8,203
Associates and joint ventures	625	393	624	391
Deposits				
Subsidiaries	–	–	2,412	2,767
Associates and joint ventures	606	680	575	543
Off-balance sheet credit facilities ¹				
Subsidiaries	–	–	270	226
Associates and joint ventures	22	1	22	1
(b) Compensation of key management personnel				
Short-term employee benefits	16	17	16	17
Long-term employee benefits	5	6	5	6
Share-based payment	4	2	4	2
Others	1	*	1	*
	26	25	26	25

¹ Includes guarantees issued of the Group \$22 million (2014: \$1 million) and the Bank \$249 million (2014: \$211 million).

* Less than \$500,000.

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42. Segment information

(a) Operating segments

The Group is organised to be segment-led across key markets. Global segment heads are responsible for driving business, with decision-making balanced with a geographical perspective. For internal management purposes, the following segments represent the key customer segments and business activities:

Group Retail (GR)

GR segment covers Consumer, Privilege, Business and Private Banking. Consumer Banking serves the individual customers, while Business Banking serves small enterprises with a wide range of products and services, including deposits, loans, investments, credit and debit cards and insurance products. Privilege Banking provides an extended range of financial services, including wealth management, and restricted products such as structured notes, funds of hedge funds, and insurance plans to the wealthy and affluent customers. Private Banking caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning.

Group Wholesale Banking (GWB)

GWB segment encompasses Commercial Banking, Corporate Banking and Financial Institutions client segments as well as Transaction Banking, Structured Trade Commodities Finance, Investment Banking and Specialised Asset Finance. Commercial Banking serves medium and large enterprises, while Corporate Banking includes large local corporations, multi-national corporations and government-linked companies and agencies. Financial Institutions include bank and non-bank financial institutions, including insurance companies, fund managers and sovereign wealth funds. GWB provides customers with a broad range of products and services that include cash management and liquidity solutions; payments, current accounts, and deposit services; trade finance and structure finance solutions; working capital and term lending, and specialised asset finance. Investment Banking provides corporate finance services that include lead managing and underwriting equity offerings and corporate advisory M&A services. Debt Capital Markets specialises in solution-based structures to meet clients' financing requirements in structuring, underwriting and arranging syndicated loans for general corporate needs, leveraged buy-outs, project and structured finance, and underwriting and lead managing bond issues.

Global Markets and Investment Management (GMIM)

GMIM segment provides a comprehensive range of global markets products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, precious metals products, as well as an array of structured products. It is a dominant player in Singapore dollar instruments as well as a provider of banknote services in the region. It also engages in asset management, proprietary investment activities and management of excess liquidity and capital funds. Income from global markets products and services offered to customers of other operating segments, such as Group Retail and Group Wholesale Banking, is reflected in the respective customer segments.

Others

Others include property-related activities, insurance businesses and income and expenses not attributable to other operating segments mentioned above.

42. Segment information (continued)

(a) Operating segments (continued)

	The Group					
	GR \$ million	GWB \$ million	GMIM \$ million	Others \$ million	Elimination \$ million	Total \$ million
2015						
Net interest income	2,157	2,337	123	309	–	4,926
Non-interest income	1,201	1,070	676	365	(190)	3,122
Operating income	3,358	3,407	799	674	(190)	8,048
Operating expenses	(1,785)	(746)	(457)	(799)	190	(3,597)
Allowances for credit and other losses	(176)	(269)	(11)	(216)	–	(672)
Share of profit of associates and joint ventures	–	–	18	72	–	90
Profit before tax	1,397	2,392	349	(269)	–	3,869
Tax					(649)	
Profit for the financial year						3,220
Segment assets	90,971	134,938	87,392	3,004	(5,544)	310,761
Intangible assets – goodwill	1,317	2,087	660	80	–	4,144
Investment in associates and joint ventures	–	–	325	781	–	1,106
Total assets	92,288	137,025	88,377	3,865	(5,544)	316,011
Segment liabilities	116,121	125,120	37,324	12,773	(6,251)	285,087
Other information						
Inter-segment operating income	469	(35)	(841)	597	(190)	–
Gross customer loans	90,840	116,476	46	9	–	207,371
Non-performing assets	936	2,046	17	67	–	3,066
Capital expenditure	27	22	23	620	–	692
Depreciation of assets	12	6	6	158	–	182

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42. Segment information (continued)

(a) Operating segments (continued)

	The Group					
	GR \$ million	GWB \$ million	GMIM \$ million	Others \$ million	Elimination \$ million	Total \$ million
2014						
Net interest income	1,856	2,020	367	314	–	4,557
Non-interest income	1,161	1,003	582	326	(172)	2,900
Operating income	3,017	3,023	949	640	(172)	7,457
Operating expenses	(1,632)	(674)	(413)	(599)	172	(3,146)
Allowances for credit and other losses	(139)	(131)	(59)	(306)	–	(635)
Share of profit of associates and joint ventures	–	–	36	113	–	149
Profit before tax	1,246	2,218	513	(152)	–	3,825
Tax						(561)
Profit for the financial year						3,264
Segment assets	88,706	126,424	87,761	2,587	(4,080)	301,398
Intangible assets – goodwill	1,319	2,090	660	80	–	4,149
Investment in associates and joint ventures	–	–	333	856	–	1,189
Total assets	90,025	128,514	88,754	3,523	(4,080)	306,736
Segment liabilities	108,874	110,574	52,658	9,599	(4,741)	276,964
Other information						
Inter-segment operating income	346	(336)	(411)	573	(172)	–
Gross customer loans	88,571	109,853	909	10	–	199,343
Non-performing assets	784	1,697	25	82	–	2,588
Capital expenditure	20	6	14	219	–	259
Depreciation of assets	10	5	4	144	–	163

Notes:

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

Long term investment has been reclassified from Others to GMIM and prior year comparatives have been restated accordingly.

42. 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					
	Total operating income		Profit before tax		Total assets	
	2015	2014	2015	2014	2015	2014
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Singapore	4,658	4,313	2,363	2,345	197,929	187,529
Malaysia	1,006	1,047	537	593	32,669	37,269
Thailand	790	691	175	159	16,643	15,915
Indonesia	410	410	61	99	8,550	8,143
Greater China	706	587	366	305	32,982	31,977
Others	478	409	367	324	23,094	21,754
	8,048	7,457	3,869	3,825	311,867	302,587
Intangible assets	–	–	–	–	4,144	4,149
	8,048	7,457	3,869	3,825	316,011	306,736

43. Financial risk management

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

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

The Group Risk Management Sector assumes the independent oversight of risks undertaken by the Group, and takes the lead in the formulation and approval of risk policies, controls and processes. The Group Market Risk Management and Group Market Risk Control within the 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 the Group Audit.

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

(a) Credit risk

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

The Group Credit Committee is delegated the authority by the Board of Directors to oversee all credit matters. It maintains oversight on the effectiveness of the Group's credit and country risk management structure including framework, people, processes, information, infrastructure, methodologies and systems.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past due amounts and credit limit excesses are tracked and analysed by business and product lines.

Country risk arises where the Group is unable to receive payments from customers as a result of political or economic events in the country. These events include political and social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, and currency depreciation or devaluation.

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43. Financial risk management (continued)

(a) Credit risk (continued)

(i) Credit exposure

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

	The Group	
	2015 \$ million	2014 \$ million
Balances and placements with central banks	30,543	33,557
Singapore Government treasury bills and securities	6,865	7,757
Other government treasury bills and securities	12,644	10,141
Trading debt securities	1,087	693
Placements and balances with banks	28,646	28,692
Loans to customers	203,611	195,903
Derivative financial assets	6,422	6,306
Investment debt securities	7,312	8,395
<u>Others</u>	<u>3,905</u>	<u>1,579</u>
	301,035	293,023
Contingent liabilities	19,008	18,514
<u>Commitments (excluding operating lease and capital commitments)</u>	<u>142,974</u>	<u>127,853</u>
	463,017	439,390

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. The main types of collateral taken by the Group are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place 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 credit worthiness is not sufficient to justify an extension of credit.

For internal risk management, agreements such as the International Swaps and Derivatives Association Master Agreements (ISDA) and Credit Support Annex (CSA) have been established with active counterparties to mitigate counterparty credit risk arising from foreign exchange and derivative activities. Such agreements help to minimise credit exposure by allowing the Bank to offset what it owes to a counterparty against what is due from that counterparty in the event of a default.

43. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Major on-balance sheet credit exposures

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

	The Group				
	Loans to customers (gross) \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	Total \$ million
Analysed by geography					
2015					
Singapore	116,087	6,865	761	2,245	125,958
Malaysia	24,605	1,264	2,375	1,056	29,300
Thailand	11,481	2,962	258	70	14,771
Indonesia	11,543	849	770	21	13,183
Greater China	25,217	1,923	12,175	1,314	40,629
Others	18,438	5,646	12,307	3,693	40,084
Total	207,371	19,509	28,646	8,399	263,925
2014					
Singapore	109,700	7,757	1,491	2,743	121,691
Malaysia	25,768	1,466	2,748	1,236	31,218
Thailand	10,836	3,521	720	119	15,196
Indonesia	11,100	389	1,029	44	12,562
Greater China	25,308	2,026	12,406	1,385	41,125
Others	16,631	2,739	10,298	3,561	33,229
Total	199,343	17,898	28,692	9,088	255,021
Analysed by industry					
2015					
Transport, storage and communication	10,019	—	—	1,001	11,020
Building and construction	45,211	—	—	367	45,578
Manufacturing	15,803	—	—	1,493	17,296
Financial institutions	14,282	—	28,646	2,478	45,406
General commerce	28,302	—	—	665	28,967
Professionals and private individuals	25,950	—	—	—	25,950
Housing loans	56,385	—	—	—	56,385
Government	—	19,509	—	—	19,509
Others	11,419	—	—	2,395	13,814
Total	207,371	19,509	28,646	8,399	263,925
2014					
Transport, storage and communication	10,014	—	—	801	10,815
Building and construction	38,672	—	—	248	38,920
Manufacturing	17,139	—	—	1,229	18,368
Financial institutions	16,039	—	28,692	3,358	48,089
General commerce	27,119	—	—	494	27,613
Professionals and private individuals	26,008	—	—	—	26,008
Housing loans	54,711	—	—	—	54,711
Government	—	17,898	—	—	17,898
Others	9,641	—	—	2,958	12,599
Total	199,343	17,898	28,692	9,088	255,021

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for the financial year ended 31 December 2015

43. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Major off-balance sheet credit exposures

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

	The Group			
	2015		2014	
	Contingent liabilities \$ million	Commitments ¹ \$ million	Contingent liabilities \$ million	Commitments ¹ \$ million
Analysed by geography				
Singapore	7,313	82,238	7,858	72,597
Malaysia	2,753	11,120	2,452	10,462
Thailand	1,201	9,077	1,270	8,559
Indonesia	572	5,120	618	5,821
Greater China	2,487	23,572	2,498	19,196
Others	4,682	11,847	3,818	11,218
Total	19,008	142,974	18,514	127,853
Analysed by industry				
Transport, storage and communication	639	4,415	612	4,875
Building and construction	5,904	21,083	5,114	16,902
Manufacturing	1,670	18,786	1,354	14,326
Financial institutions	3,242	13,808	3,005	12,465
General commerce	5,379	48,274	6,064	42,312
Professionals and private individuals	230	19,676	219	18,437
Housing loans	–	5,645	–	7,266
Others	1,944	11,287	2,146	11,270
Total	19,008	142,974	18,514	127,853

1 Excluding operating lease and capital commitments.

43. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Credit quality of gross loans and debt securities

Gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group	
	2015 \$ million	2014 \$ million
Pass	203,217	196,311
Special mention	1,272	674
Substandard	2,237	1,791
Doubtful	141	178
Loss	504	389
	207,371	199,343

Credit quality of Government treasury bills and securities and debt securities

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

	The Group					
	2015			2014		
	Singapore Government treasury bills and securities \$ million	Other government treasury bills and securities \$ million	Debt securities \$ million	Singapore Government treasury bills and securities \$ million	Other government treasury bills and securities \$ million	Debt securities \$ million
External rating:						
Investment grade (AAA to BBB-)	6,865	12,556	6,982	7,757	10,047	5,632
Non-investment grade (BB+ to C)	–	66	222	–	66	357
Unrated	–	22	1,195	–	28	3,099
Total	6,865	12,644	8,399	7,757	10,141	9,088

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43. Financial risk management (continued)

(a) Credit risk (continued)

(v) Ageing analysis of past due but not impaired loans

	The Group			
	< 30 days \$ million	30 – 59 days \$ million	60 – 90 days \$ million	Total \$ million
Analysed by geography¹				
2015				
Singapore	1,946	957	56	2,959
Malaysia	629	279	161	1,069
Thailand	516	81	27	624
Indonesia	117	54	42	213
Greater China	18	20	1	39
Others	76	25	7	108
Total	3,302	1,416	294	5,012
2014				
Singapore	1,417	634	48	2,099
Malaysia	528	319	74	921
Thailand	127	22	5	154
Indonesia	94	70	6	170
Greater China	25	32	–	57
Others	173	54	13	240
Total	2,364	1,131	146	3,641

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

	The Group			
	< 30 days \$ million	30 - 59 days \$ million	60 – 90 days \$ million	Total \$ million
Analysed by industry				
2015				
Transport, storage and communication	236	11	13	260
Building and construction	575	84	58	717
Manufacturing	339	46	3	388
Financial institutions	110	6	30	146
General commerce	881	185	38	1,104
Professionals and private individuals	572	329	59	960
Housing loans	501	736	92	1,329
Others	88	19	1	108
Total	3,302	1,416	294	5,012
2014				
Transport, storage and communication	38	27	–	65
Building and construction	257	107	14	378
Manufacturing	348	23	9	380
Financial institutions	194	10	1	205
General commerce	857	99	26	982
Professionals and private individuals	311	229	32	572
Housing loans	293	625	53	971
Others	66	11	11	88
Total	2,364	1,131	146	3,641

43. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Ageing analysis of non-performing assets

	The Group				
	< 90 days \$ million	90 – 180 days \$ million	> 180 days \$ million	Total \$ million	Specific allowances \$ million
Analysed by geography¹					
2015					
Singapore	401	176	539	1,116	258
Malaysia	51	63	272	386	58
Thailand	37	44	168	249	91
Indonesia	208	82	279	569	175
Greater China	69	47	102	218	97
Others	14	2	328	344	94
Non-performing loans	780	414	1,688	2,882	773
Debt securities, contingent items and others	52	3	129	184	161
Total	832	417	1,817	3,066	934
2014					
Singapore	388	119	357	864	191
Malaysia	115	60	211	386	75
Thailand	46	50	171	267	128
Indonesia	10	54	234	298	78
Greater China	28	17	79	124	54
Others	12	19	388	419	131
Non-performing loans	599	319	1,440	2,358	657
Debt securities, contingent items and others	89	–	141	230	162
Total	688	319	1,581	2,588	819

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

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for the financial year ended 31 December 2015

43. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Ageing analysis of non-performing assets (continued)

	The Group				
	< 90 days \$ million	90 - 180 days \$ million	> 180 days \$ million	Total \$ million	Specific allowances \$ million
Analysed by industry					
2015					
Transport, storage and communication	309	56	612	977	321
Building and construction	67	49	134	250	56
Manufacturing	118	11	158	287	103
Financial institutions	28	–	74	102	7
General commerce	87	106	195	388	128
Professionals and private individuals	97	70	120	287	71
Housing loans	54	113	383	550	79
Others	20	9	12	41	8
Non-performing loans	780	414	1,688	2,882	773
Debt securities, contingent items and others	52	3	129	184	161
Total	832	417	1,817	3,066	934
2014					
Transport, storage and communication	239	–	475	714	226
Building and construction	150	28	48	226	44
Manufacturing	21	24	235	280	126
Financial institutions	10	27	72	109	6
General commerce	69	32	164	265	110
Professionals and private individuals	51	58	100	209	74
Housing loans	54	121	332	507	59
Others	5	29	14	48	12
Non-performing loans	599	319	1,440	2,358	657
Debt securities, contingent items and others	89	–	141	230	162
Total	688	319	1,581	2,588	819

43. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Security coverage of non-performing assets

	The Group	
	2015 \$ million	2014 \$ million
Non-performing assets secured by:		
Properties	1,145	1,052
Marketable securities, fixed deposits and others	552	335
<u>Unsecured non-performing assets</u>	<u>1,369</u>	<u>1,201</u>
	3,066	2,588

(viii) Collateral possessed during the financial year

	The Group	
	2015 \$ million	2014 \$ million
Properties		
	4	6

Collateral possessed is disposed of in an orderly manner in accordance with target prices set. Proceeds from sale of collateral are used to reduce the outstanding loans.

(b) Foreign exchange risk and equity risk

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

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

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

At 31 December 2015, banking book foreign currency Value-at-Risk (VaR) inclusive of structural foreign currency VaR was \$68.5 million (2014: \$45.2 million).

Equity price risk in the banking book arises from equity investments held for long-term strategic reasons. At the end of the reporting period, if these equity prices had been 1% higher/lower with all other variables held constant, the Group's other comprehensive income would have been \$32 million (2014: \$30 million) higher/lower as a result of an increase/decrease in the fair value of equity investments classified as available-for-sale.

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43. Financial risk management (continued)

(b) Foreign exchange risk and equity risk (continued)

- (i) The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date. The off-balance sheet gap represents the net contract or notional amount of derivatives which is used principally to reduce the Group's exposure to foreign exchange risk.

	The Group						
	Singapore dollar \$ million	US dollar \$ million	Malaysian ringgit \$ million	Thai baht \$ million	Indonesian rupiah \$ million	Others \$ million	Total \$ million
2015							
Cash, balances and placements with central banks	13,381	4,370	4,206	1,639	914	7,796	32,306
Securities	9,638	8,014	1,515	2,989	510	8,682	31,348
Placements and balances with banks	738	21,613	1,232	176	62	4,825	28,646
Loans to customers	106,001	35,560	21,891	10,636	5,053	24,470	203,611
Investment in associates and joint ventures	778	292	4	–	–	32	1,106
Intangible assets	3,168	–	–	736	240	–	4,144
Derivative financial assets	1,788	2,707	274	273	(37)	1,417	6,422
Others	4,082	601	434	541	272	2,498	8,428
Total assets	139,574	73,157	29,556	16,990	7,014	49,720	316,011
Deposits and balances of customers	115,650	54,236	24,122	11,782	5,252	29,482	240,524
Deposits and balances of banks, and bills and drafts payable	1,539	2,716	213	1,009	36	6,908	12,421
Debts issued	3,125	15,409	329	259	197	969	20,288
Derivative financial liabilities	1,671	2,765	70	236	9	1,218	5,969
Others	2,264	2,047	761	269	100	444	5,885
Total liabilities	124,249	77,173	25,495	13,555	5,594	39,021	285,087
On-balance sheet open position	15,325	(4,016)	4,061	3,435	1,420	10,699	
Off-balance sheet open position	2,945	19,195	(1,460)	(985)	50	(19,745)	
Net open position	18,270	15,179	2,601	2,450	1,470	(9,046)	

43. Financial risk management (continued)

(b) Foreign exchange risk and equity risk (continued)

(i) (continued)

	The Group						
	Singapore dollar \$ million	US dollar \$ million	Malaysian ringgit \$ million	Thai baht \$ million	Indonesian rupiah \$ million	Others \$ million	Total \$ million
2014							
Cash, balances and placements with central banks	14,822	5,313	6,293	1,034	1,100	6,521	35,083
Securities	11,492	6,314	1,934	3,559	160	6,616	30,075
Placements and balances with banks	600	20,392	785	181	5	6,729	28,692
Loans to customers	104,728	33,229	23,843	9,836	4,650	19,617	195,903
Investment in associates and joint ventures	816	320	41	–	–	12	1,189
Intangible assets	3,181	–	–	723	245	–	4,149
Derivative financial assets	1,918	2,926	180	204	10	1,068	6,306
Others	3,078	1,054	84	630	280	213	5,339
Total assets	140,635	69,548	33,160	16,167	6,450	40,776	306,736
Deposits and balances of customers	112,608	49,068	27,199	10,970	4,822	29,083	233,750
Deposits and balances of banks, and bills and drafts payable	2,401	2,163	742	384	15	6,472	12,177
Debts issued	3,192	15,638	189	241	45	1,648	20,953
Derivative financial liabilities	1,972	2,785	161	198	14	1,254	6,384
Others	1,340	1,176	362	241	79	502	3,700
Total liabilities	121,513	70,830	28,653	12,034	4,975	38,959	276,964
On-balance sheet open position	19,122	(1,282)	4,507	4,133	1,475	1,817	
Off-balance sheet open position	(3,065)	7,418	(35)	(1,598)	(1)	(2,718)	
Net open position	16,057	6,136	4,472	2,535	1,474	(901)	

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43. Financial risk management (continued)

(b) Foreign exchange risk and equity risk (continued)

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

	The Group		
	Total \$ million	Hedged \$ million	Unhedged \$ million
2015			
Chinese renminbi	2,039	440	1,599
Indonesian rupiah	1,198	–	1,198
Malaysian ringgit	2,574	–	2,574
Thai baht	2,458	–	2,458
US dollar	1,653	1,653	–
Others	1,677	1,064	613
	11,599	3,157	8,442
2014			
Chinese renminbi	942	–	942
Indonesian rupiah	1,237	–	1,237
Malaysian ringgit	2,707	–	2,707
Thai baht	2,298	–	2,298
US dollar	1,209	1,209	–
Others	1,436	890	546
	9,829	2,099	7,730

(c) Banking book interest rate risk

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

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative \$251 million and \$462 million (2014: negative \$146 million and \$280 million) respectively, computed based on the worst case of upward and downward parallel shifts of each yield curve. EVE is the present value of assets less present value of liabilities of the Group. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied, where appropriate, for deposits that do not have maturity dates. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

(d) Liquidity risk

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

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

43. Financial risk management (continued)

(d) Liquidity risk (continued)

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

	The Group							
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million	Over 1 to 3 years \$ million	Over 3 years \$ million	No specific maturity \$ million	Total \$ million
2015								
Cash, balances and placements with central banks	13,779	4,517	3,686	4,613	–	2,185	3,531	32,311
Securities	564	351	3,149	7,480	9,369	8,870	3,505	33,288
Placements and balances with banks	8,442	6,523	6,313	5,722	542	1,081	67	28,690
Loans to customers	6,906	14,613	16,024	26,938	47,431	115,127	1,189	228,228
Investment in associates and joint ventures	–	–	–	–	–	–	1,106	1,106
Intangible assets	–	–	–	–	–	–	4,144	4,144
Derivative financial assets	–	–	–	–	–	–	6,422	6,422
Others	835	445	655	49	16	3,651	3,006	8,657
Total assets	30,526	26,449	29,827	44,802	57,358	130,914	22,970	342,846
Deposits and balances of customers	123,758	33,278	32,517	43,344	4,140	4,146	(56)	241,127
Deposits and balances of banks, and bills and drafts payable	5,310	1,710	3,679	1,683	38	–	13	12,433
Debts issued	907	1,555	7,446	4,174	3,020	3,962	(15)	21,049
Derivative financial liabilities	–	–	–	–	–	–	5,969	5,969
Others	1,773	388	905	245	178	994	1,872	6,355
Total liabilities	131,748	36,931	44,547	49,446	7,376	9,102	7,783	286,933
Equity attributable to:								
Equity holders of the Bank	–	21	–	45	981	7,911	22,031	30,989
Non-controlling interests	–	–	–	–	–	2	154	156
Total equity	–	21	–	45	981	7,913	22,185	31,145
Net on-balance sheet position	(101,222)	(10,503)	(14,720)	(4,689)	49,001	113,899	(6,998)	
Net off-balance sheet position	(31,622)	1,650	(1,115)	(3,894)	(95)	(1,264)	(8,395)	
Net maturity mismatch	(132,844)	(8,853)	(15,835)	(8,583)	48,906	112,635	(15,393)	

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43. Financial risk management (continued)

(d) Liquidity risk (continued)

(i) (continued)

	The Group							
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million	Over 1 to 3 years \$ million	Over 3 years \$ million	No specific maturity \$ million	Total \$ million
2014								
Cash, balances and placements with central banks	14,032	3,992	6,474	4,694	21	–	5,873	35,086
Securities	774	407	2,821	6,791	8,256	9,791	3,250	32,090
Placements and balances with banks	7,618	5,216	7,742	6,028	739	1,376	18	28,737
Loans to customers	7,338	13,875	14,861	24,050	44,266	110,485	1,255	216,130
Investment in associates and joint ventures	–	–	–	–	–	–	1,189	1,189
Intangible assets	–	–	–	–	–	–	4,149	4,149
Derivative financial assets	–	–	–	–	–	–	6,306	6,306
Others	791	363	79	73	1	954	2,527	4,788
Total assets	30,553	23,853	31,977	41,636	53,283	122,606	24,567	328,475
Deposits and balances of customers	117,324	37,416	30,945	41,136	5,590	1,740	(11)	234,140
Deposits and balances of banks, and bills and drafts payable	2,794	4,724	3,458	877	318	4	6	12,181
Debts issued	360	886	5,449	5,790	5,804	3,570	10	21,869
Derivative financial liabilities	–	–	–	–	–	–	6,384	6,384
Others	697	166	155	84	118	549	1,682	3,451
Total liabilities	121,175	43,192	40,007	47,887	11,830	5,863	8,071	278,025
Equity attributable to:								
Equity holders of the Bank	–	21	–	44	131	1,439	28,219	29,854
Non-controlling interests	–	–	–	–	–	–	203	203
Total equity	–	21	–	44	131	1,439	28,422	30,057
Net on-balance sheet position	(90,622)	(19,360)	(8,030)	(6,295)	41,322	115,304	(11,926)	
Net off-balance sheet position	(16,763)	(1,108)	(1,006)	(999)	(107)	(1,372)	(3,850)	
Net maturity mismatch	(107,385)	(20,468)	(9,036)	(7,294)	41,215	113,932	(15,776)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 35 and 38a. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2015 and 2014. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers. The behavioural adjustments based on historical trends are disclosed in Note 43d(ii).

43. Financial risk management (continued)

(d) Liquidity risk (continued)

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

	The Group			
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million
2015				
Cash, balances and placements with central banks	13,780	4,517	3,685	4,613
Securities	667	443	3,067	7,463
Placements and balances with banks	8,445	6,534	6,336	5,752
Loans to customers	7,292	15,971	17,649	31,046
Others	838	453	655	49
Total assets	31,022	27,918	31,392	48,923
Deposits and balances of customers ¹	22,393	23,791	10,992	4,956
Deposits and balances of banks, and bills and drafts payable	5,262	1,758	3,679	1,683
Debts issued	907	1,555	7,446	4,174
Others	1,424	563	858	158
Total liabilities	29,986	27,667	22,975	10,971
Equity attributable to:				
Equity holders of the Bank	–	21	–	45
Non-controlling interests	–	–	–	–
Total equity	–	21	–	45
Net on-balance sheet position	1,036	230	8,417	37,907
Net off-balance sheet position	(3,380)	(2,025)	(4,361)	(8,576)
Net maturity mismatch	(2,344)	(1,795)	4,056	29,331

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

Notes to the Financial Statements

for the financial year ended 31 December 2015

43. Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) (continued)

	The Group			
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million
2014				
Cash, balances and placements with central banks	14,186	3,981	6,383	4,641
Securities	1,218	672	3,078	6,161
Placements and balances with banks	7,618	5,219	7,750	6,036
Loans to customers	7,734	15,132	16,140	27,343
Others	791	370	79	73
Total assets	31,547	25,374	33,430	44,254
Deposits and balances of customers ¹	22,247	25,100	11,572	6,420
Deposits and balances of banks, and bills and drafts payable	2,757	4,761	3,458	877
Debts issued	360	886	5,449	5,790
Others	553	148	126	32
Total liabilities	25,917	30,895	20,605	13,119
Equity attributable to:				
Equity holders of the Bank	–	21	–	44
Non-controlling interests	–	–	–	–
Total equity	–	21	–	44
Net on-balance sheet position	5,630	(5,542)	12,825	31,091
Net off-balance sheet position	(2,759)	(3,270)	(2,132)	(2,891)
Net maturity mismatch	2,871	(8,812)	10,693	28,200

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

43. Financial risk management (continued)

(e) Value-at-risk

The Group adopts a daily VaR to estimate market risk within a 99% confidence interval using the historical simulation method for its trading book. This 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 market prices and volatilities. The Group computes market risk based on historical simulation VaR. This entails the estimation of tail loss based on the most recent historical data, which may not always reflect the extreme loss event. 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
2015				
Interest rate	5.04	7.51	1.98	4.64
Foreign exchange	5.34	6.81	0.95	3.43
Equity	3.48	3.48	0.02	0.08
Commodity	0.81	1.25	0.21	0.67
Specific risk ¹	0.24	0.76	0.15	0.37
Total VaR	8.34	11.72	3.31	7.84
2014				
Interest rate	2.72	5.92	1.64	3.14
Foreign exchange	1.18	6.24	0.97	2.82
Equity	0.03	0.27	0.01	0.06
Commodity	0.23	1.12	*	0.24
Specific risk ¹	0.21	0.64	0.08	0.24
Total VaR	3.96	10.40	2.46	4.84

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.

* Less than \$5,000.

Notes to the Financial Statements

for the financial year ended 31 December 2015

44. Capital management

The Group's capital management objective is to ensure that the Group maintains an optimal capital level that is adequate to support business growth and strategic investment opportunities, while meeting regulatory requirements and maintaining a strong credit rating. The Group and all banking subsidiaries have met the regulatory capital requirements throughout the financial year.

The Group is subject to the Basel III capital adequacy standards required by the MAS. The Group's Common Equity Tier 1 capital comprises mainly paid up ordinary share capital, disclosed reserves and qualifying minority interest. Additional Tier 1 capital includes eligible non-cumulative non-convertible perpetual securities and preference shares (subject to partial recognition under Basel III transitional rules), while Tier 2 capital comprises subordinated notes and excess of accounting provisions over Basel expected loss. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2015 \$ million	2014 \$ million
Share capital	3,704	3,715
Disclosed reserves/others	24,762	23,590
Regulatory adjustments	(2,448)	(2,408)
Common Equity Tier 1 capital	26,018	24,897
Preference shares/others	2,179	2,180
Regulatory adjustments – capped	(2,179)	(2,180)
Additional Tier 1 capital	–	–
Tier 1 capital	26,018	24,897
Subordinated notes	4,505	4,405
Provisions/others	1,028	918
Regulatory adjustments	(201)	(12)
Tier 2 capital	5,332	5,311
Eligible total capital	31,350	30,208
Risk-weighted assets	200,654	178,792
Capital adequacy ratios (%)		
Common Equity Tier 1	13.0	13.9
Tier 1	13.0	13.9
Total	15.6	16.9

45. Authorisation of financial statements

The financial statements were authorised for issue by the Board of Directors on 15 February 2016.

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

31 December 2015

Investor Reference

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Statistics of Shareholdings

as at 2 March 2016

Distribution of Shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%
1 – 99	3,486	9.24	119,898	0.01
100 – 1,000	13,056	34.60	8,645,778	0.54
1,001 – 10,000	17,933	47.53	57,162,563	3.56
10,001 – 1,000,000	3,205	8.49	132,479,208	8.24
1,000,001 and above	51	0.14	1,408,881,565	87.65
Total	37,731	100.00	1,607,289,012	100.00

Public float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public.

Based on information available to the Company as at 2 March 2016, approximately 76% of the issued shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

Twenty Largest Shareholders (as shown in the Register of Members and Depository Register)

Name of shareholders	No. of shares	% *
Citibank Nominees Singapore Pte Ltd	274,675,783	17.09
DBS Nominees (Private) Limited	247,437,898	15.39
DBSN Services Pte. Ltd.	145,742,114	9.07
United Overseas Bank Nominees (Private) Limited	141,791,435	8.82
Wee Investments Pte Ltd	125,348,011	7.80
Wah Hin & Co Pte Ltd	82,044,670	5.10
HSBC (Singapore) Nominees Pte Ltd	73,635,207	4.58
Tai Tak Estates Sendirian Berhad	67,450,000	4.20
UOB Kay Hian Private Limited	41,079,012	2.56
C Y Wee & Co Pte Ltd	35,533,652	2.21
Raffles Nominees (Pte) Limited	31,842,487	1.98
BNP Paribas Securities Services Singapore Branch	30,796,483	1.92
Wee Cho Yaw	20,122,341	1.25
Tee Teh Sdn Berhad	10,590,307	0.66
UOB Nominees (2006) Private Limited	8,784,868	0.55
Bank Of Singapore Nominees Pte. Ltd.	5,928,781	0.37
Estate Of Lo Kwang Pheng Deceased	4,369,500	0.27
SG Investments Pte Ltd	4,360,000	0.27
Wee Ee Cheong	3,225,918	0.20
Sat Pal Khattar ,Chew Hwee Ming & Jerry Lee Kian Eng	3,191,228	0.20
Total	1,357,949,695	84.49

* Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares, of the Bank.

Statistics of Shareholdings

as at 2 March 2016

Ordinary Shares

Substantial Shareholders (as shown in the Register of Substantial Shareholders)

Substantial shareholder	Shareholdings registered in the name of substantial shareholders	No. of shares	Other shareholdings in which substantial shareholders are deemed to have an interest	Total interest	
		No. of shares	No. of shares	No. of shares	%
Estate of Lien Ying Chow, deceased	316,516	82,155,530 ⁽¹⁾	82,472,046	82,472,046	5.13
Lien Ying Chow Private Limited	–	82,054,783 ⁽¹⁾	82,054,783	82,054,783	5.11
Wah Hin and Company Private Limited	82,044,670	10,113 ⁽²⁾	82,054,783	82,054,783	5.11
Sandstone Capital Pte Ltd	10,113	82,044,670 ⁽³⁾	82,054,783	82,054,783	5.11
Wee Cho Yaw	20,122,341	270,033,692 ⁽⁴⁾	290,156,033	290,156,033	18.05
Wee Ee Cheong	3,225,918	163,048,078 ⁽⁴⁾	166,273,996	166,273,996	10.34
Wee Ee Chao	153,999	129,714,977 ⁽⁴⁾	129,868,976	129,868,976	8.08
Wee Ee Lim	1,760,658	162,978,100 ⁽⁴⁾	164,738,758	164,738,758	10.25
Wee Investments (Pte) Limited	125,347,848	186,570	125,534,418	125,534,418	7.81

* Percentage is calculated based on the total number of issued shares, excluding treasury shares, of the Bank.

Notes:

- (1) Estate of Lien Ying Chow, deceased and Lien Ying Chow Private Limited are each deemed to have an interest in the 82,054,783 UOB shares in which Wah Hin and Company Private Limited has an interest.
- (2) Wah Hin and Company Private Limited is deemed to have an interest in the 10,113 UOB shares held by Sandstone Capital Pte. Ltd.
- (3) Sandstone Capital Pte. Ltd. is deemed to have an interest in the 82,044,670 UOB shares held by Wah Hin and Company Private Limited.
- (4) Wee Cho Yaw, Wee Ee Cheong, Wee Ee Chao and Wee Ee Lim are each deemed to have an interest in Wee Investments (Pte) Limited's total direct and deemed interests of 125,347,848 UOB shares.

Five-Year Ordinary Share Capital Summary

Year	Particulars	Number of ordinary shares		
		Issued	Held in treasury	In circulation
2011	Balance at beginning of year	1,560,139,387	(17,515,050)	1,542,624,337
	Issue of shares under share-based compensation plans		1,514,902	
	Share buyback and held in treasury		(570,186)	
	Issue of shares under scrip dividend scheme	30,354,554		
2012	Balance at end of year	1,590,493,941	(16,570,334)	1,573,923,607
	Issue of shares under share-based compensation plans		1,521,374	
	Share buyback and held in treasury		(684,385)	
2013	Balance at end of year	1,590,493,941	(15,733,345)	1,574,760,596
	Issue of shares under share-based compensation plans		1,663,957	
	Balance at end of year	1,590,493,941	(14,069,388)	1,576,424,553
2014	Issue of shares under share-based compensation plans		2,212,108	
	Issue of shares under scrip dividend scheme	24,050,013		
	Balance at end of year	1,614,543,954	(11,857,280)	1,602,686,674
2015	Issue of shares under share-based compensation plans		1,315,741	
	Share buyback and held in treasury		(1,739,560)	
	Balance at end of year	1,614,543,954	(12,281,099)	1,602,262,855

Our International Network

Banking

Singapore

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Fax: (65) 6534 2334
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Website: www.UOBGroup.com

United Overseas Bank Limited has 63 branches in Singapore.

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UOB Plaza
Singapore 048624
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Fax: (65) 6224 2263
SWIFT: UOVBSGSG
Website: www.UOBGroup.com

Australia

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Phone: (61)(2) 9221 1924
Fax: (61)(2) 9221 1541
SWIFT: UOVBAU2S
Email: UOB.Sydney@UOBGroup.com
Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo

UOB Melbourne Office
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Fax: (61)(3) 9642 4877
Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo
State Manager: Geoff Luxton

UOB Brisbane Office
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Brisbane, QLD 4000
Phone: (61)(7) 3229 1188
Fax: (61)(7) 3229 1188
Chief Executive Officer, Australia and New Zealand: John Liles
General Manager, Operations and Corporate Services: Eric Yeo
State Manager: Gregory Thompson

Brunei

UOB Brunei Branch
Units 10 and 11, Bangunan D'Amin Jaya
Lot 54989, Kampong Kiarong
Bandar Seri Begawan BE1318
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222 0380
Fax: (673) 224 0792
SWIFT: UOVBBNBB
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Country Manager:
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Fax: (1)(604) 662 3356
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Country Manager: K. Jin Koh

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Fax: (1)(416) 367 1954
Country Manager: K. Jin Koh
Head of Corporate Banking: John Gleason

UOB Calgary Office

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Fax: (1)(403) 716 3637
Country Manager: K. Jin Koh
Manager: Tan Yee Ho

China

United Overseas Bank (China) Limited
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111 Dongyuan Road
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Shanghai 200120
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SWIFT: UOVBCNSH
Email: CustomerExperience.UOBC@UOBGroup.com
Website: www.UOBChina.com.cn
President and Chief Executive Officer:
Eric Lian Voon Fui

United Overseas Bank (China) Limited has 17 branches/sub-branches in China.

Hong Kong S.A.R.

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Email: UOB.HongKong@UOBGroup.com
Chief Executive Officer: Christine Ip

UOB Kwun Tong Branch

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Phone: (852) 2123 7588
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Email: UOB.HongKong@UOBGroup.com
Chief Executive Officer: Christine Ip

UOB Tsim Sha Tsui Branch

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Tsim Tsui, Kowloon, Hong Kong S.A.R.
Phone: (852) 3970 7702
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Chief Executive Officer: Christine Ip

India

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'C' Wing Bandra – Kurla Complex
3 North Avenue, Maker Maxity
Bandra (East)
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Country Manager: PV Ananthakrishnan

Indonesia

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38th Floor, UOB Plaza
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Phone: (62)(21) 2993 7317
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Chief Representative: Utami Dewi Suhadi

PT Bank UOB Indonesia

(a subsidiary)
UOB Plaza
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Phone: (62)(21) 2350 6000
Fax: (62)(21) 2993 6632
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Website: www.UOB.co.id
Deputy President Director:
Iwan Satawidinata
Deputy President Director: Tan Chin Poh

PT Bank UOB Indonesia has 188 branches in Indonesia.

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Tokyo 100-6113, Japan
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Email: UOB.Tokyo@UOBGroup.com
Country Manager: Ho Chai Seng

Malaysia

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Email: UOBcustomerservice@UOB.com.my
Website: www.UOB.com.my
Chief Executive Officer: Wong Kim Choong

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Myanmar

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1200 Makati City
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Country Manager:
Emmanuel T Mangosing

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Taiwan

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Country Manager: Steven Chung Kok Kai

Thailand

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Sathon, Bangkok 10120
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Fax: (66)(2) 287 2973/287 2974
SWIFT: UOVBTHBK
Website: www.UOB.co.th
President and Chief Executive Officer:
Peter Foo Moo Tan

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Country Manager: Andy Cheah

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Fax: (1)(212) 382 1881
SWIFT: UOVBUS33
Email: UOB.NewYork@UOBGroup.com
Agent and Country Manager:
Bert De Guzman

UOB Los Angeles Agency

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Country Manager: Bert De Guzman
Agent and General Manager: Michael Liu

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Correspondents

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Chief Executive Officer:
Matthew Png Bee Seng

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Chief Executive Officer:
Dennis Seet Choon Seng

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Fax: (886)(2) 2345 1639
Email: Vincent.ChengCJ@UOBGroup.com
Branch Manager:
Vincent Cheng Chih Jung

Thailand

UOB Bullion and Futures (Thai) Company Limited
(a subsidiary)
7th Floor, 191 South Sathon Road
Sathon, Bangkok 10120
Phone: (66)(0) 2343 3903/3906
Fax: (66)(0) 2213 2614
Email: MarketingUOBFT@UOB.co.th
Website: www.UOBFT.co.th
Chief Executive Officer:
Mark Lim Tiong Huat

Insurance

Singapore

United Overseas Insurance Limited
(a subsidiary)
3 Anson Road, #28-01
Springleaf Tower
Singapore 079909
Phone: (65) 6222 7733
Fax: (65) 6327 3869/6327 3870
Email: ContactUs@UOI.com.sg
Website: www.UOI.com.sg
Managing Director and Chief Executive:
David Chan Mun Wai

Myanmar

United Overseas Insurance Myanmar Representative Office
Room No. 1401, 14th Floor
Olympic Tower
Corner of Mahar Bandoola Street and
Bo Aung Kyaw Street
Kyauktada Township
Yangon, Myanmar
Telephone: (95)(1) 392 917
Fax: (95)(1) 392 916
Representative: Khin Maung Win

Investment Management

Singapore

United Orient Capital Pte. Ltd.
(an associate)
c/o Augentius (Singapore) Pte. Ltd.
112 Robinson Road, #04-02
Singapore 068902
Phone: (65) 6420 6990
Fax: (65) 6420 6999
Email: enquiry@UnitedOrientCapital.com
Website: www.UnitedOrientCapital.com
Executive Director: Yeo Wee Yap

UOB Asia Investment Partners Pte. Ltd.
(a subsidiary)
80 Raffles Place, #10-21
UOB Plaza 2
Singapore 048624
Phone: (65) 6539 2492
Fax: (65) 6532 7558
Email: UOBAIP@UOBGroup.com
Website: www.UOBAIP.com
Chief Executive Officer: Low Han Seng

UOB Asset Management Ltd
(a subsidiary)
80 Raffles Place, 3rd Floor
UOB Plaza 2
Singapore 048624
Phone: (65) 6532 7988
Fax: (65) 6535 5882
Email: UOBAM@UOBGroup.com
Website: www.UOBAM.com.sg
Managing Director and Group Chief Executive Officer: Thio Boon Kiat

UOB-SM Asset Management Pte. Ltd.
(a subsidiary)
80 Raffles Place, #15-22
UOB Plaza 2
Singapore 048624
Phone: (65) 6589 3850
Fax: (65) 6589 3849
Chief Executive Officer: Masashi Ohmatsu

UOB Venture Management Private Limited
(a subsidiary)
80 Raffles Place, #30-20
UOB Plaza 2
Singapore 048624
Phone: (65) 6539 3044
Fax: (65) 6538 2569
Email: info@UOBVM.com.sg
Managing Director: Seah Kian Wee

Brunei

UOB Asset Management (B) Sdn Bhd
(a subsidiary)
Unit FF03-FF05, 1st Floor
The Centrepoint Hotel
Jalan Gadong
Bandar Seri Begawan BE3519
Phone: (673) 242 4806
Fax: (673) 242 4805
General Manager:
Kamal Haji Muhammad

China

UOB Investment (China) Limited
(an associate)
8/F Taiji Building
No. 211, Bei Si Huan Middle Road
Haidian District, Beijing 100083
Phone: (86)(10) 8905 6679
Email: info@UOBVM.com.sg
Contact: Seah Kian Wee

UOB Venture Management (Shanghai) Limited
(a subsidiary)
Room 3307, United Plaza
1468 Nanjing Road West
Shanghai 200040
Phone: (86)(21) 6247 6228
Email: postmaster@UOBVM.com.cn
Managing Director: Seah Kian Wee

SZVC-UOB Venture Management Co., Ltd
(an associate)
FL. 11 Investment Building
No. 4009 Shennan Road
Futian Centre District
Shenzhen 518048
Phone: (86)(755) 8291 2888
Fax: (86)(755) 8291 2880
Email: master@szvc.com.cn
Deputy General Manager: Alina Tao

Ping An UOB Fund Management Company Ltd
(an associate)
5F Galaxy Center
Fuhua Road, Futian District
Shenzhen 518048
Phone: (86)(755) 2262 2289
Fax: (86)(755) 2399 7878
Deputy General Manager: Jasmine Lim

Our International Network

France

UOB Global Capital SARL

(a subsidiary)

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75116 Paris

Phone: (33)(1) 5364 8400

Fax: (33)(1) 5364 8409

Email: mlandau@UOBGlobal.com

Managing Director: Michael Landau

Indonesia

UOB Venture Management Private Limited Representative Office

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Jakarta Pusat 10230

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Email: info@UOBVM.com.sg

Chief Representative: Betania Cointantin

Japan

UOB Asset Management (Japan) Ltd

(a subsidiary)

13F Sanno Park Tower

2-11-1 Nagatacho, Chiyoda-ku

Tokyo 100-6113, Japan

Phone: (81)(3) 3500 5981

Fax: (81)(3) 3500 5985

Chief Executive Officer:

Hideaki Mochizuki

Malaysia

UOB Asset Management (Malaysia) Berhad

(a subsidiary)

Level 22, Vista Tower, The Intermark

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50400 Kuala Lumpur, Malaysia

Phone: (60)(3) 2732 1181

Fax: (60)(3) 2732 1100

Email:

UOBAMCustomerCareMY@UOBGroup.com

Website: www.UOBAM.com.my

Chief Executive Officer: Lim Suet Ling

Taiwan

UOB Asset Management (Taiwan) Ltd

(a subsidiary)

Union Enterprise Plaza, 16th Floor

109 Minsheng East Road, Section 3

Taipei 10544

Phone: (886)(2) 2719 7005

Fax: (886)(2) 2545 6591

Greater China Chief Executive Officer:

William Wang

UOB Investment Advisor (Taiwan) Ltd

(a subsidiary)

Union Enterprise Plaza, 16th Floor

109 Minsheng East Road, Section 3

Taipei 10544

Phone: (886)(2) 2719 7005

Fax: (886)(2) 2545 6591

Greater China Chief Executive Officer:

William Wang

Stockbroking

Singapore

UOB-Kay Hian Holdings Limited

(an associate)

8 Anthony Road, #01-01

Singapore 229957

Phone: (65) 6535 6868

Fax: (65) 6532 6919

Website: www.uobkayhian.com

Managing Director: Wee Ee Chao

Venture Debt

Singapore

InnoVen Capital Singapore Pte. Ltd.

(an associate)

16 Collyer Quay, #23-01

Singapore 049318

Phone: (65) 6532 2416

Email: contact_sg@innovencapital.com

India

InnoVen Capital India Private Limited

(an associate)

12th Floor, Express Towers, Nariman Point

Mumbai 400 021

Phone: (91)(22) 6744 6500

Fax: (91)(22) 6744 6565

Email: contact@innovencapital.com

Others

Singapore

The FinLab Pte. Ltd.

(an associate)

BASH 79 Ayer Rajah Crescent Level 3

Singapore 139955

Email: info@thefinlab.com

Notice of Annual General Meeting

United Overseas Bank Limited

(Incorporated in the Republic of Singapore)
Company Registration No. 193500026Z

Notice is hereby given that the 74th Annual General Meeting of members of the Company will be held at Pan Pacific Singapore, Pacific 2-3, Level 1, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Thursday, 21 April 2016, at 3.00 pm to transact the following business:

AS ORDINARY BUSINESS

- Resolution 1 To receive the Financial Statements, the Directors' Statement and the Auditor's Report for the year ended 31 December 2015.
- Resolution 2 To declare a final one-tier tax-exempt dividend of 35 cents per ordinary share for the year ended 31 December 2015.
- Resolution 3 To approve Directors' fees of S\$2,295,000 for 2015 (2014: S\$2,070,000).
- Resolution 4 To approve an advisory fee of S\$800,000 to Dr Wee Cho Yaw, the Chairman Emeritus and Adviser, for the period from January 2015 to December 2015.
- Resolution 5 To re-appoint Ernst & Young LLP as Auditor of the Company and authorise the Directors to fix its remuneration.
- To pass the following resolution:
- Resolution 6 "THAT Dr Wee Cho Yaw, who will retire pursuant to Section 153(6) of the Companies Act, Chapter 50 which was in force immediately before 3 January 2016, be and is hereby re-appointed as a Director of the Company."
- To re-elect the following Directors:
- Resolution 7 Mr Franklin Leo Lavin (retiring by rotation)
- Resolution 8 Mr James Koh Cher Siang (retiring by rotation)
- Resolution 9 Mr Ong Yew Huat (retiring by rotation)

AS SPECIAL BUSINESS

- To consider and, if thought fit, pass the following ordinary resolutions:
- Resolution 10 "THAT authority be and is hereby given to the Directors to:
- (a) (i) issue ordinary shares in the capital of the Company (**Shares**) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force,

Notice of Annual General Meeting

provided that:

- (1) the aggregate number of ordinary Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed ten per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (SGX-ST)) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting (AGM) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

Resolution 11

“THAT authority be and is hereby given to the Directors to allot and issue from time to time such number of ordinary Shares as may be required to be allotted and issued pursuant to the UOB Scrip Dividend Scheme.”

Resolution 12

“THAT

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) (**Market Purchase**) on the SGX-ST; and/or
 - (ii) off-market purchase(s) (**Off-Market Purchase**) (if effected otherwise than on SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (**Share Purchase Mandate**);

(b) the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next Annual General Meeting (AGM) of the Company is held or required by law to be held;
- (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in a general meeting;

(c) In this Resolution 12:

"Relevant Period" means the period commencing from the date on which the last AGM of the Company was held and expiring on the date the next AGM of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

"Maximum Limit" means that number of Shares representing five per cent of the total number of issued Shares (excluding any Shares which are held as treasury shares) as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued Shares shall be taken to be the total number of the issued Shares as altered by such capital reduction (excluding any Shares which are held as treasury shares as at that date); and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 110 per cent of the Average Closing Price of the Shares,

where:

"Average Closing Price" means the average of the last dealt prices of the Shares over the five consecutive market days on which the Shares were transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period; and

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

Notice of Annual General Meeting

Resolution 13 "THAT

- (a) the extension of the duration of the UOB Restricted Share Plan (**Plan**) for a period of ten years from 7 August 2017 up to 6 August 2027 (both days inclusive) be and is hereby approved;
- (b) the Amended and Restated Rules of the UOB Restricted Share Plan (**Amended Rules**), set out in Annex 1 of the Appendix to the Notice of Annual General Meeting dated 29 March 2016 (**Appendix**), incorporating the alterations to the Plan as described in the Appendix, be and are hereby approved and adopted in substitution for, and to the exclusion of, the existing Rules of the Plan, and shall, for the avoidance of doubt, also apply to holders of awards (**Awards**) of ordinary shares in the capital of UOB (**Ordinary Shares**) granted but not yet vested, under the Plan as at the date of the passing of this Resolution;
- (c) the Directors of the Company be and are hereby authorised to modify and/or alter the Plan at any time and from time to time, provided that such modification and/or alteration is effected in accordance with the Amended Rules, and to do all such acts and to enter into all transactions and arrangements as may be necessary or expedient in order to give full effect to the Plan; and
- (d) subject to the Amended Rules, the Directors of the Company be and are hereby authorised to grant Awards in accordance with the Amended Rules and the Company be and is hereby authorised to transfer from time to time such number of Ordinary Shares which are held by UOB as treasury shares as may be required to be delivered pursuant to the vesting of any Award.

To consider and, if thought fit, pass the following special resolution:

Resolution 14 "THAT the regulations contained in the new Constitution, reproduced in their entirety in Annex 2 of the Appendix to the Notice of Annual General meeting dated 29 March 2016, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution."

Notes to Resolutions

Resolution 2 is to approve the final dividend. The Transfer Books and Register of Members will be closed from 3 May 2016 to 4 May 2016, both dates inclusive, for the preparation of the final dividend. Registrable transfers received up to 5.00 pm on 29 April 2016 will be entitled to the final dividend. If approved, the final dividend will be paid on 11 May 2016.

Resolution 4 is to approve a fee of S\$800,000 for the period from January 2015 to December 2015 to Dr Wee Cho Yaw, Chairman Emeritus and Adviser of the Bank, for providing advice and guidance to Management drawn from his vast experience, knowledge and expertise acquired over more than 50 years with the Bank.

Resolution 6 is to re-appoint Dr Wee Cho Yaw as a director. At the AGM on 24 April 2015, Dr Wee Cho Yaw was re-appointed pursuant to Section 153(6) of the Companies Act to hold office until the 2016 AGM. Section 153(6) was repealed on 3 January 2016. If re-appointed, Dr Wee Cho Yaw will remain as Chairman Emeritus and Adviser, and continue as the non-independent chairman of the Board Risk Management Committee and a non-independent member of the Strategy, Board Credit and Nominating Committees.

Resolution 7 is to re-elect Mr Franklin Leo Lavin who will, if re-elected, continue as an independent member of the Strategy and Nominating Committees.

Resolution 8 is to re-elect Mr James Koh Cher Siang who will, if re-elected, continue as the independent chairman of the Remuneration Committee, and an independent member of the Audit and Strategy Committees.

Resolution 9 is to re-elect Mr Ong Yew Huat who will, if re-elected, continue as the independent chairman of the Board Credit Committee, and an independent member of the Audit and Board Risk Management Committees.

Resolution 10 is to empower the Directors to issue ordinary shares in the capital of the Company and to make or grant instruments (such as warrants or debentures or options) convertible into ordinary Shares, and to issue ordinary Shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company, but with a sub-limit of ten per cent for issue of Shares other than on a pro-rata basis to shareholders (**General Mandate**). For the purpose of determining the aggregate number of ordinary Shares that may be issued pursuant to the General Mandate, the percentage of issued shares in the capital of the Company shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that Resolution 10 is passed, after adjusting for (a) new ordinary Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 10 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary Shares.

Resolution 11 is to authorise the directors to issue ordinary shares pursuant to the UOB Scrip Dividend Scheme (**Scheme**) should the Company decide to apply the Scheme to any dividend declared by the Company from the date of this AGM until the date of the next AGM of the Company.

Resolution 12 is to renew the Share Purchase Mandate, which was first approved by shareholders on 29 April 2004 and was last renewed at the AGM of the Company on 24 April 2015.

The Company intends to use its internal sources of funds to finance its purchase or acquisition of the shares. The amount of financing required for the Company to purchase or acquire its shares and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of AGM as these will depend on, *inter alia*, the aggregate number of shares purchased or acquired and the consideration paid at the relevant time.

Based on the total number of issued shares as at 2 March 2016 (**Latest Practicable Date**), the purchase by the Company of five per cent of its issued shares (excluding the shares held in treasury) will result in the purchase or acquisition of 80,364,450 Shares.

Assuming that the Company purchases or acquires 80,364,450 shares at the Maximum Price, the maximum amount of funds required is approximately:

- (a) in the case of Market Purchases of Shares, S\$1,437,720,011 based on S\$17.89 for one Share (being the price equivalent to five per cent above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, S\$1,506,029,793 based on S\$18.74 for one Share (being the price equivalent to ten per cent above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date).

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial accounts of the UOB Group for the financial year ended 31 December 2015, based on certain assumptions, are set out the Appendix to Shareholders dated 29 March 2016.

Please refer to the Appendix to this Notice of AGM dated 29 March 2016 for details.

Resolution 13 is to extend and amend the UOB Restricted Share Plan (**Plan**). The Plan is a share incentive scheme which was put into effect for an initial duration of up to ten years commencing on 7 August 2007 and is expiring on 6 August 2017. The Plan only allows the delivery of Ordinary Shares which are held by UOB as treasury shares and does not involve the issue of new Ordinary Shares.

Since the commencement of the Plan in 2007, amendments have been made to the listing manual of the SGX-ST (**Listing Manual**) such that the adoption of all share plans (including share incentive plans that only involve the use of treasury shares) require the approval of shareholders and have to comply with the relevant rules under Part VIII of Chapter 8 of the Listing Manual.

Accordingly, Shareholders' approval is being sought for an extension of the duration of the Plan for a further duration of ten years from (and including) 7 August 2017, up to (and including) 6 August 2027.

In addition, certain alterations are proposed to be made to the existing rules of the Plan so as to comply with the relevant rules under Part VIII of Chapter 8 of the Listing Manual and refine the language used in the existing rules of the Plan.

Please refer to the Appendix to this Notice of AGM dated 29 March 2016 for further details.

Notice of Annual General Meeting

Resolution 14 is to adopt a new Constitution, which will consist of the Memorandum and Articles of Association of UOB which were in force immediately before 3 January 2016 (**Existing Constitution**), amended to incorporate, among other things, the wide-ranging changes to the Companies Act, Chapter 50 of Singapore (**Companies Act**) introduced by Companies (Amendment) Act 2014. The amendments came into effect in two phases, on 1 July 2015 and 3 January 2016 respectively. The new Constitution will also be updated for consistency with the prevailing listing rules of the SGX-ST in compliance with Rule 730(2) of the Listing Manual of the SGX-ST and to address other regulatory changes, such as the personal data protection regime in Singapore. The Company is also taking the opportunity to incorporate certain other general changes.

Please refer to the Appendix to this Notice of AGM dated 29 March 2016 for further details.

BY ORDER OF THE BOARD

Joyce Sia
Company Secretary

Singapore
29 March 2016

Notes

- (1) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

- (2) A proxy need not be a member of the Company.
- (3) To be effective, the instrument appointing a proxy must be deposited at 80 Raffles Place, #04-20, UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 48 hours before the time set for holding the AGM of the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the **Purposes**), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

Proxy Form



UNITED OVERSEAS BANK LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 193500026Z

IMPORTANT

- Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
- For CPF/SRS investors who have used their CPF monies to buy UOB shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
- By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

I/We _____ (Name), NRIC/Passport No. _____

of _____ (Address)

being a member/members of United Overseas Bank Limited (Company), hereby appoint

Name	Proportion of Shareholdings	
NRIC/Passport No.	No. of Ordinary Shares	%
Address		

and/or (delete as appropriate)

Name	Proportion of Shareholdings	
NRIC/Passport No.	No. of Ordinary Shares	%
Address		

or failing him/them, the Chairman of the Meeting as my/our proxy/proxies, to attend, speak and vote for me/us on my/our behalf at the 74th Annual General Meeting of members of the Company, to be held at Pan Pacific Singapore, Pacific 2-3, Level 1, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Thursday, 21 April 2016 at 3.00 pm and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting (of which Resolution Nos. 1 to 13 will be proposed as Ordinary Resolutions and Resolution No. 14 will be proposed as a Special Resolution) as indicated hereunder. If no voting instruction is specified, the proxy/proxies may vote or abstain from voting as he/they deem(s) fit, and on any other matter arising at the Meeting.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
Resolution 1	Financial Statements, Directors' Statement and Auditor's Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Advisory fee to Dr Wee Cho Yaw, Chairman Emeritus and Adviser		
Resolution 5	Auditor and its remuneration		
Resolution 6	Re-appointment (Dr Wee Cho Yaw)		
Resolution 7	Re-election (Mr Franklin Leo Lavin)		
Resolution 8	Re-election (Mr James Koh Cher Siang)		
Resolution 9	Re-election (Mr Ong Yew Huat)		
Resolution 10	Authority to issue ordinary shares		
Resolution 11	Authority to issue shares pursuant to the UOB Scrip Dividend Scheme		
Resolution 12	Renewal of Share Purchase Mandate		
Resolution 13	Extension of and alterations to Executive Share Plan		
	Special Resolution		
Resolution 14	Adoption of a new Constitution		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (v) within the relevant box provided. Alternatively, if you wish to cast your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this _____ day of _____ 2016.

Signature(s) or Common Seal of Shareholder(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Shares in:	No. of Shares
(i) Depository Register	
(ii) Register of Members	
Total (Note1)	

NOTES TO PROXY FORM:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
 2.
 - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which, the appointment shall be invalid.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy, failing which, the appointment shall be invalid.
 - "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
 3. A proxy need not be a member of the Company.
 4. The instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, #04-20 UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 48 hours before the time appointed for holding the Meeting.
- 1st fold
- 2nd fold



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The Company Secretary
United Overseas Bank Limited
80 Raffles Place, #04-20, UOB Plaza 2
Singapore 048624

Corporate Information

Board of Directors

Wee Cho Yaw (*Chairman Emeritus and Adviser*)
Hsieh Fu Hua (*Chairman*)
Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)
Wong Meng Meng
Franklin Leo Lavin
Willie Cheng Jue Hiang
James Koh Cher Siang
Ong Yew Huat
Lim Hwee Hua

Strategy Committee (established 15 February 2016)

Hsieh Fu Hua (*Chairman*)
Wee Cho Yaw
Wee Ee Cheong
James Koh Cher Siang
Franklin Leo Lavin

Board Credit Committee (established 15 February 2016)

Ong Yew Huat (*Chairman*)
Wee Cho Yaw
Hsieh Fu Hua
Wee Ee Cheong
Lim Hwee Hua

Audit Committee

Willie Cheng Jue Hiang (*Chairman*)
James Koh Cher Siang
Ong Yew Huat

Nominating Committee

Lim Hwee Hua (*Chairman w.e.f. 10 March 2016*)
(appointed on 10 March 2016)
Wee Cho Yaw
Hsieh Fu Hua
Wong Meng Meng
Franklin Leo Lavin
Willie Cheng Jue Hiang
Wee Ee Cheong (*Alternate to Wee Cho Yaw*)

Remuneration Committee

James Koh Cher Siang (*Chairman w.e.f. 15 February 2016*)
Hsieh Fu Hua
Lim Hwee Hua (appointed on 15 February 2016)

Board Risk Management Committee

Wee Cho Yaw (*Chairman*)
Hsieh Fu Hua
Wee Ee Cheong
Ong Yew Huat
Wong Meng Meng (appointed on 15 February 2016)

Secretary

Joyce Sia Ming Kuang (appointed on 13 July 2015)

Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360

Internal Auditor

Victor Ngo
Head, Group Audit
United Overseas Bank Limited
396 Alexandra Road #18-00
Singapore 119954

External Auditor

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Winston Ngan (appointed on 24 April 2014)

Registered Office

80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration Number: 193500026Z
Phone: (65) 6533 9898
Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: www.uobgroup.com

Investor Relations

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Singapore 048624
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